NOTICE OF A REGULAR MEETING OF THE
LEAGUE OF ARIZONA CITIES & TOWNS
EXECUTIVE COMMITTEE

Friday, May 10, 2019 at 10:00 a.m.
League Office Building
1820 West Washington, Phoenix

Notice is hereby given to the members of the Executive Committee and to the general public that the Executive Committee will hold a meeting open to the public on May 10, 2019 at 10:00 a.m. Members of the Executive Committee will attend either in person or by telephone conference call. The Executive Committee may vote to recess the meeting and move into Executive Session on any item on this agenda. Upon completion of Executive Session, the Executive Committee may resume the meeting, open to the public, to address the remaining items on the agenda. A copy of the agenda is available at the League office building in Suite 200 or on the League website at www.azleague.org.

Agenda

All items on this agenda are scheduled for discussion and possible action, unless otherwise noted.

Call to Order; Pledge of Allegiance

1. Review and Adoption of Minutes
2. Legislative Policy Discussion and Update
3. League Budget for 2019-2020
4. 2019 League Annual Conference Update
5. Report on AMRRP products and services for cities and towns
6. Review and Possible Adoption of League Bylaws

Property Corporation Meeting

7. Review and Adoption of Minutes
8. Property Corporation Budget for 2019-2020
9. Annual Election of Officers

Executive Session

10. Discussion of Executive Director Ken Strobeck’s Employment Contract
11. Discussion of Executive Recruitment

12. Action on Executive Session matters

Additional informational materials are included in the agenda packet but are not part of the agenda.
Item #1  Review and Adoption of Minutes

Summary: Minutes of the previous meeting are enclosed for your review and approval.

Responsible Person: President Christian Price

Attachments: February 8, 2019 Executive Committee Minutes

Action Requested: Approval
President Christian Price called the meeting to order at 10:01 a.m. He then led the Executive Committee in the Pledge of Allegiance.

1. REVIEW AND ADOPTION OF MINUTES

President Christian Price requested a motion on the adoption of the minutes. It was indicated that there needed to be a correction made; the Treasurer should be listed as Mayor Douglas Nicholls of Yuma. Mayor Jenn Daniels moved to approve the amended minutes of the November 2, 2018 Executive Committee Meeting; Mayor Douglas Nicholls seconded the motion and it carried unanimously.
2. NOMINATING COMMITTEE RECOMMENDATIONS FOR NEW EXECUTIVE COMMITTEE MEMBERS

President Price invited Mayor Ed Honea, Nominating Committee Chair, to present on the Nominating Committee recommendations for new Executive Committee members. Mayor Honea let everyone know that there was a large number of applicants, making the decision difficult. The Committee selected five people to recommend to serve on the Executive Committee. Mayor Honea introduced the five recommended candidates for the Executive Committee: Mayor Craig McFarland of Casa Grande and Mayor Kevin Hartke of Chandler, who will both serve two-year terms; and Mayor Robert Uribe of Douglas, Mayor Greg Mengarelli of Prescott, and Mayor Sandy Moriarty of Sedona, who will serve one-year terms.

Mayor Ed Honea moved to approve the new members for the Executive Committee; Mayor Douglas Nicholls seconded the motion and it carried unanimously.

President Price welcomed the new members.

3. LEGISLATIVE POLICY OVERVIEW AND SESSION UPDATE

President Christian Price welcomed League Executive Director Ken Strobeck to introduce League Legislative Director Nick Ponder to present on the Legislative Policy Overview and Session Update. Executive Director Strobeck also informed the Committee that the deadline for house bills to be introduced will be Monday, February 11.

Wayfair

Legislative Director Ponder informed the Committee that Wayfair does not have a bill number yet; Representative Ben Toma, sponsor of the pending bill, is expected to drop the bill today. Mr. Ponder reminded the Committee that this bill comes out of the Supreme Court case, South Dakota v. Wayfair. Prior to June of 2018 you could not tax sales of remote sellers coming into the state. If the company did not have a physical presence in Arizona, their products could not be taxed. The League has been working as a coalition with the Arizona Retailers Association, International Coalition of Shopping Centers and the counties, trying to bring the equity into Arizona. Mr. Ponder noted that there will be additional revenue for the cities but likely not as substantial as others have been saying. Others have quoted an increase of 293 million dollars, whereas the League has a calculation of approximately 85 million dollars.

Digital goods

Mr. Ponder discussed the topic of digital goods. Senator Michele Ugenti-Rita is the sponsor for this bill which was introduced a few days ago. Last year’s bill had eight new exemptions. Mr. Ponder noted they are unsure what the revenue impact will be but that the current legislation will software as a service. Software is currently considered taxable by the Department of Revenue. Although League staff does not know the exact impact, it is believed that the number will grow substantially. The League is going to oppose this piece of legislation.
Next, Mr. Ponder informed the board of a proposed bill to ban texting while driving. Mr. Ponder noted this is an important issue especially with the recent passing of a Salt River Police Officer. Mr. Ponder introduced Tom Savage, League Legislative Associate, to provide an update.

Legislative Associate Savage explained that there had been five proposed measures introduced at the Legislature to establish a state-wide ban for texting while driving or hands-free law. Some cities currently have an active ordinance prohibiting the use of cell phones or general hands-free. SB1165 is a new measure sponsored by Senator Brophy McGee. Of all the proposed bills, this bill is most agreeable to cities and towns. Mr. Savage went over the salient points of the legislation and noted that if passed, SB1165 would preempt any city/town ordinances in effect at the time. As this legislation moves forward League staff will keep our members up to date on its evolution.

Answering questions from Committee Members, Mr. Savage clarified that, as the legislation is currently written, a citation cannot be used against a person’s insurance or have points counted against their license and that there are provisions to prevent law enforcement from taking possession of cell phones. He also clarified that this would be a primary offense.

President Price asked for a motion to support the texting/cell phone ban while driving Mayor Bob Rivera moved to approve; Mayor Kevin Hartke seconded the motion and it carried unanimously.

**Tax Exemptions**

Mr. Ponder then presented on city tax codes. Representative Shawnna Bolick introduced a ban on food for home consumption tax. After calculations, that would be a $115.8 million impact to the state. Some rural communities do not have a property tax, so a food tax is a substantial part of their budget. The League did an analysis of each member city to determine how much, if any, of their budget is comprised from food tax.

Mr. Ponder discussed another tax exemption of feminine hygiene products and formula, sponsored by Representative T.J. Shope. Mr. Ponder reminded the Committee that as exemptions are added to the retail base within the model state tax code, it would be required to conform anything that is a tax exemption in retail at the state level.

**Highway Safety**

Mr. Ponder provided information about highway safety bills to the Executive Committee. There are several bills that either attempt to repeal the highway safety fee that was passed last year or bring it down to a number that was lower. These include SB1001, sponsored by Senator Michelle Ugenti-Rita and HB 2536 sponsored by Representative Noel Campbell. Both of these pieces of legislation are at the beginning stages of the process and the League will closely monitor them as they move through committees.

**League Resolutions**

Mr. Ponder introduced Legislative Associate Alex Vidal to speak about the League Resolutions. Legislative Associate Vidal discussed the short-term rental resolution and legislation. The current legislation opposed allowing cities and towns to do any type of regulation for short-term rentals. The League has been working with Representative John Kavanagh on a bill and at this time
Representative Kavanaugh is still in the process of getting signatures for this bill. The League will continue to work on this bill as the process moves forward.

The next item Mr. Vidal informed the Committee about was the resolution for protection against sexual orientation and gender identity. There is still some disagreement on what to include in this bill from lawmakers and at the time of this meeting it does not appear that the bill will be moving forward this year.

Mr. Vidal also discussed the State Liquor Board. Many jurisdictions have had complaints regarding concerns that the liquor board is not making decisions with thoughts about their impact on public safety. The City of Glendale has been working with the League on HB 2743, sponsored by Representative Anthony Kern, which will change the State Liquor Board, preserving a seat for the city and town elected officials or someone from the League to represent the cities and towns. This will be heard in Committee next week.

Mr. Vidal also discussed the affordable housing resolution. The idea is to establish a state tax credit. Right now, there is a federal low-income housing tax credit. What the proposed program will do is match what is being given at the federal level to help boost affordable housing. There are a lot of benefits for cities and towns with this bill and the League will be in support of this bill.

Other Activities

Legislative Director Ponder finished up by, discussing Florence’s pension transfer. In smaller cities that have part-time firefighter accounts, there is money left over from employees who do not vest so they will be able to take the leftover money and transfer it to PSPRS to help paydown unfunded liabilities. This was passed through Committee last week.

Governor’s Office

President Price introduced Daniel Scarpinato, Governor’s Chief of Staff, and Ben Blink, Policy Advisor, to talk about the Governor’s priorities and answer any questions. Mr. Scarpinato discussed the positive increase in the budget, with a million-dollar surplus. There is an opportunity to make key investments which will have positive impacts on communities and position the state for any downturns. They want to continue collaborative work with the League and cities and towns. The Governor’s proposal is to put a billion dollars in a rainy-day fund. This will help for the next downturn. Furthermore, this will allow for investments in K-12, protecting roads, and local communities. Mr. Scarpinato introduced Ben Blink as a resource for everyone regarding the budget.

Executive Committee members then asked Mr. Scarpinato questions regarding vacancies on important commissions and questions about the Drought Contingency Plan. Mr. Scarpinato answered questions and ended by stating that the Governor will be wanting to meet with local officials to discuss these issues further.

4. SOCIAL MEDIA PROGRAM OVERVIEW

President Price welcomed Legislative Director Nick Ponder to provide an overview of the social media program. Mr. Ponder informed the Executive Committee that the League has established a social media program to educate legislators on important city and town issues as well as to recognize the impactful things cities and towns are doing to make Arizona a great place to work and live. This program will include fun, short and informative videos as well as posts to Facebook and Twitter. The
social media program has been a great success and the League has seen a large increase in engagement since October when the program commenced.

Executive Director Ken Strobeck added that it is important for everyone to follow the League on Twitter to get the information out to your cities and towns.

5. LEGAL UPDATE

President Price invited League General Counsel Christina Estes-Werther to provide a legal update. General Counsel Estes-Werther informed the Committee that an amicus brief was filed for the City of Peoria where The Goldwater Institute has sued the city for alleged misuse of statutory authorization relating to economic development, which they claim was violating the gift clause. The League objects to this argument. Mrs. Estes-Werther indicated that the decision will be forthcoming since the brief was filed December 21st.

Peoria Mayor Cathy Carlat noted this case involves Huntington University and giving them benefits when they moved into the city for consideration for jobs, paid from general fund money. The case is in the Court of Appeals because the city won in lower court.

Mrs. Estes-Werther brought up another amicus filed which touches on every public entity and was written on behalf of the state. This was arising out of the crash that happened on the I-10 ten years ago. The court waived the statute of limitations in this case, so the plaintiffs were allowed to file more than a year after the deadline. Since this impacts all cities and towns, the League wants to make sure the plaintiffs are following all the proper deadlines and giving proper notice of litigation. The second issue involves absolute immunity. As policy makers you get absolute immunity when making decisions, exercising discretion and contributing funds for a policy decision. The court decided the state did not have absolute immunity because they didn’t specifically say there shouldn’t have been a barrier at that median. The League is opposing this decision, saying that is not how cities and towns govern.

Mrs. Estes-Werther updated the Committee on Prop 126. This was on the state-wide ballot in November and prohibits new state and local taxes on services but there is no definition of service. Mesa, Scottsdale, Tempe, Flagstaff, Prescott and Sedona have contracted with a law firm to review that matter and how it might affect them personally since they have increased their taxes this past year. There is authorization to litigate but they are still examining what course of action they might want to take.

6. REPORT FROM BUGET SUBCOMMITTEE

President Price welcomed Budget Subcommittee Chair and Litchfield Park Mayor Thomas Schoaf, to speak. Mayor Schoaf noted the Subcommittee was formed to see what the budget will look like before establishing dues. The Subcommittee met and went through the preliminary budget prepared by staff. There are no significant changes from last year. Because the City of Phoenix is no longer a member of the League, there needed to be a decision on how to cover the shortfall of their dues payment. The Subcommittee thought the most responsible way to cover it would be to split it across all cities and towns in a fair manner. The proposal will be a dues increase somewhere between 4-6%.

The Board questioned if Phoenix comes back, how it will affect this increase.

Mayor Schoaf answered that the dues will be adjusted again, by lowering, if Phoenix comes back.
Mayor Thomas Schoaf moved to approve the dues as presented in the packet, Mayor Ed Honea seconded the motion and it carried unanimously.

7. **PROPOSED AUDIT FIRM CONTRACT**

President Price again asked Litchfield Park Mayor Thomas Schoaf to speak about this contract. Mayor Schoaf indicated that the Subcommittee looked at the audit costs to see if it would make sense to get a different auditor. They received proposals from seven different groups. CliftonLarsenAllen was significantly cheaper and committed to cycling through auditors so they wouldn’t be the same every time. With this, the Subcommittee proposed using CliftonLarsenAllen for the auditors for the next contract cycle, which is three years.

Mayor Thomas Schoaf moved to approve the CliftonLarsenAllen as the auditors for the next three years, Mayor Jerry Weirs seconded the motion and it carried unanimously.

8. **PROPOSED LEAGUE BYLAWS**

President Price invited Executive Director Ken Strobeck to speak on the proposed League bylaws, which have been drafted. He indicated they needed to be reviewed and some language may need to be cleaned up. He reminded the Committee that the bylaws differ from the charter in that they can be changed from time to time by the Executive Committee whereas the charter can only be changed in a vote by the full membership at the Annual Conference.

The Committee decided to table the proposed bylaws to the next meeting, so they could examine the draft and submit any proposed changes in writing. Mayor McFarland motioned to table the bylaws for discussion at the next League Executive Committee Meeting, Mayor Schoaf seconded the motion and it carried unanimously.

9. **PSPRS NOMINEES / RESOLUTIONS OF APPRECIATION**

President Price welcomed Executive Director Ken Strobeck to speak. Executive Director Strobeck mentioned there were openings on the PSPRS Board. Members are nominated by the League and one of the appointments has been made. There have also been three other names sent to the Speaker of the House for consideration of appointment. Speaker Bowers has not made an appointment yet; it is still pending.

Mayor Bob Rivera made a motion to approve resolutions of appreciation for individuals who served on the Board of Trustees of the Public Safety Personnel Retirement System, Mayor Thomas Schoaf seconded, and it carried unanimously.

10. **IGA-DOR UPDATE**

President Price invited Tax Policy Analyst Lee Grafstrom to speak. Mr. Grafstrom discussed working on the TPT Administration IGA with the Department of Revenue (DOR). The IGA is a uniform agreement between the DOR and each individual city and town that covers all aspects of sales tax administration, licensing, audit and collection by the DOR on behalf of the cities and towns. Mr. Grafstrom indicated the renegotiation of this IGA started more than a year ago and the revised version will help the cities and the DOR to implement much improved tax practices. This negotiation is almost done; there are only a few corrections that still need to be made. One issue that has been
addressed deals with audit authority for those cities and towns that do not have staff or contract tax auditors. DOR and the cities will create a method for cities and towns without auditors to formally request DOR or another city perform an audit of a specific taxpayer in their jurisdiction. Another significant issue relates to interpretations of the model city tax code. The new IGA adds language that says, when the state statute and the model city tax code are the same, cities must follow written guidance and interpretations provided by the DOR. However, when the state statute and model code are not the same, the Municipal Tax Code Commission (MTCC) or its designee is the final arbiter and interpreter of the model city tax code. Mr. Grafstrom said they expect to have the completed IGA ready to send to councils in the next few weeks. That needs to be separately approved by each council. The agreement would be carried through each city that uses the model city tax code, including Phoenix.

Mr. Grafstrom informed the board about the next MTCC meeting on February 22nd. There are two amendments for the MTCC to approve. The first responds directly to some legislative bills by making several clarifications and corrections to the Spec Builder section effective on April 1st, including the clarification of which projects qualify for the tax, expanding the allowance for exempt sales between developers, and adding an exemption for in-place leases at the time of the sale. The other amendment is related to the U.S. Supreme Court decision in South Dakota v. Wayfair, conforming the model code's Retail section to the state's version of Retail from the perspective of a remote seller. The Retail amendment requires the adoption of several exemptions the state has that cities currently do not, including the tax on feed, seed and fertilizer sold at a feed store that 65 cities and towns currently have in place. The amendment to Retail is necessary to keep the model code from being an impediment to the state applying the new nexus rules under Wayfair. Wayfair overturned the old "physical presence nexus" requirement and recognizes an "economic nexus" standard that will allow the imposition of state and local taxes on remote sellers outside Arizona who meet certain minimum sales thresholds. The Retail amendment has a delayed effective date, stipulating it does not go into effect until the date the state begins to enforce the new economic nexus rules pursuant to the Wayfair decision. Both amendments are expected to be approved.

Mr. Grafstrom also spoke about a resolution for the MTCC to designate the City Tax Administrators Council (CTAC) as their designee for interpretations of the model code. By naming CTAC as its designee, the MTCC will be able to respond quickly to taxpayer requests for rulings, thereby maintaining its authority over how the model code is interpreted and applied, rather than ceding that authority to the DOR.

11. EXECUTIVE SESSION TO DISCUSS EMPLOYMENT CONTRACT

Mayor John Giles motioned to move into Executive Session; Mayor Jenn Daniels seconded, and it carried unanimously.

The Executive Committee moved into Executive Session at 11:57 a.m.

The Executive Committee adjourned Executive Session at 12:25pm.
Agenda Item #2 Legislative Policy Discussion and Update

Summary: The 2019 legislative session is still underway as of press time, with most of the focus on the final details of the next fiscal year’s budget. The League has been deeply involved in the discussions to implement the Wayfair decision while protecting the Model City Tax Code. We have maintained our opposition to digital goods legislation. Bills still alive at press time involving preemptions include landlord-tenant local ordinances and tobacco sale and regulation. A bill to prohibit the use of handheld phones while driving was ultimately approved.

Responsible Person: Ken Strobeck & League Staff

Attachments: Selected Legislative Alerts
Legislative Bulletins to date since last meeting
Media release – anti-texting legislation
Policy Paper – Tax Equity for Arizona Retailers
League offer on Wayfair
Policy Paper – Model City Tax Code
Policy Paper – Digital Goods
Response to ADOR – Digital Goods
Various news articles
The League Opposes HB2115 landlord tenant; state preemption

- Cities and towns have been the authority closest to the people for resolving landlord-tenant issues for decades; there is no state agency tasked with addressing these problems.

- Arizona’s Landlord-Tenant Act provides a minimum amount of protections for tenants, mostly related to evictions and only addressed through court proceedings.

- Cities and towns have adopted regulations to further the Landlord-Tenant Act to ensure there is proper heating and air conditioning, adequate hot water, and the property is maintained and is secure for residents.

- The ordinances are designed to protect not only the tenant, but also the landlord from undue claims by tenants.

- The problem the bill is attempting to fix is not clear. In committee, no one could identify even a single specific problem with the current laws that would necessitate such a sudden, drastic, and broad preemption.

We urge you to vote “NO” on HB2115
Cities and Towns SUPPORT HB2672 vacation rentals; short-term rentals; regulation

- The bill would allow cities and towns to use information from the Arizona Department of Revenue about the locations and owners of short-term rentals to enforce local ordinances.

- Enforcing local ordinances against short-term rentals has been problematic because, unlike long-term renters or owner-occupants, short-term renters are mostly from out-of-state and are only onsite for a short period.

- The bill also allows cities and towns to penalize the owner for having a property that repeatedly disrupts the neighborhood and has frequent calls for service.

- The bill is the product of substantial input from all stakeholders and is necessary because of the previously enacted preemption on local regulation of short-term rentals.

We urge you to vote “YES” on HB2672
Cities and Towns Support SB 1024 medical marijuana; sales data; enforcement

- The bill requires the Arizona Department of Health Services (ADHS) to share sales data (excluding confidential patient information) with the Arizona Department of Revenue (ADOR) for each medical marijuana (MMJ) dispensary so that ADOR can ensure every dispensary is paying the appropriate amount of Transaction Privilege Tax (TPT).

- MMJ-related businesses are cash-only because of conflicts with federal banking laws, creating a significant potential for financial improprieties and the illegal diversion of MMJ. The bill would allow state and local government to more accurately account for potentially missing TPT revenue from dispensaries that are not remitting properly.

- While MMJ can provide therapeutic benefits to MMJ patients, it also creates a need for enhanced public safety measures. Diversion of medical marijuana is a significant public safety concern that ADHS and ADOR can help curtail by sharing information about inventory and sales. It is important to give ADHS the authority to take action should a concerning discrepancy be found.

- The revenue local governments collect from TPT (including MMJ sales) helps pay for public safety costs, including the law enforcement resources used to combat illegal drug sales. Every dollar that is owed but is not being paid could go toward helping keep MMJ out of the wrong hands.
The bill also allows ADHS to revoke the license of a MMJ dispensary that is not paying the TPT it owes. Without this authorization a MMJ dispensary could continue to operate without paying proper TPT if it is complying with all other ADHS requirements.

This bill assists the good actors in this type of business by using existing information to confirm that taxes are being correctly remitted and highlighting any bad actors that may be leading to increased public safety costs from illegal activity.

We urge you to vote “YES” on SB1024
Legislative Update

Today is day 33 of the legislative session, marking the end of a very busy week at the Capitol. Next week will be even busier with committee agendas packed with numerous bills to get a hearing prior to the deadline. Floor action in both chambers is expected to increase substantially in the coming weeks. Legislators will spend many hours debating, amending, and voting on bills before transmitting to the opposite chamber for further consideration.

League staff will be at the Capitol for most of next week testifying in committees and meeting with legislators. We may be sending out Action Alerts calling upon our members to reach out their elected officials to inform them of the impact certain measures will have on cities and towns. Many issues of priority will be discussed in next week’s committees, including regulation and taxation of peer-to-peer car sharing, distracted driving, short-term rentals, construction sales tax, taxation of remote retail sales, and food truck regulations, municipal grocery tax exemption, and the Highway User Revenue Fund, just to name a few.

CALL TO ACTION - Digital Goods

During the summer and fall of 2017, the legislature convened the Ad Hoc Joint Committee on the Tax Treatment of Digital Goods and Services. The League, along with the Arizona Tax Research Association, the Arizona Department of Revenue, and other tax experts participated in the committee. The stated objectives by the co-chairs was to find a revenue neutral way to provide clarity, uniformity, and accountability to the business community on how to handle the taxability of products delivered digitally.

While the League was originally encouraged by the stated objectives of the policymakers on the committee, the legislation proposed in 2018 reflected 8 new exemptions from tax and a $48M annual hit to cities and towns.
The League successfully defeated both digital goods bills last session but this year it has returned in a new form. The 2019 bill, SB 1460, sponsored by Sen. Michelle Ugenti-Rita (R-Scottsdale), makes certain digital products taxable while exempting from tax products that are received over the web or through cloud computing. The League opposes SB 1460 because we believe the taxability of an item should not change based simply upon how that product is delivered to the consumer, regardless if that delivery is via the cloud.

While it is incredibly difficult to calculate the revenue loss of this bill, the League is confident there will be a loss, something Sen. Ugenti-Rita acknowledged in the committee hearing. Many cloud computing companies are currently paying taxes because the Department of Revenue recognizes these products as being in the category of rental of tangible personal property. Additionally, as more products convert from a physical form to the cloud, the potential revenue losses for cities and towns – as well as the state, counties, and Proposition 301 – will only get bigger in future years.

The bill passed out of the Senate Finance committee on a strict party line vote, 6-4. The League would request a call to action that you reach out to your senators, particularly Senator Sean Bowie (D-Phoenix), Senator Heather Carter (R-Phoenix), Senator Frank Pratt (R-Casa Grande), Senator Tyler Pace (R-Mesa), Senator Rick Gray (R-Peoria), Senator Sine Kerr (R-Buckeye), Senator David Gowan (R-Sierra Vista), Senator Paul Boyer (R-Phoenix), and Senator Sonny Borrelli (R-Lake Havasu City). SB 1460 has the potential of going through Rules, Caucus, and Committee of the Whole next week.

**Defensive Driving School**

This week HB 2005 moving violations; defensive driving school, sponsored by Representative John Kavanagh (R-Fountain Hills), advanced out of the House Public Safety committee on a 5-2 vote. The bill would allow a driver cited for a moving violation to opt for defensive driving school *after* being found responsible by the court. Currently, a driver must choose between completing defensive driving school seven days before their court date (which results in a dismissal of the ticket) or going to court. This is a fair trade off and works the same as all other pre-trial diversion programs. These programs save court resources while offering the option of a lesser penalty for the accused.

The change in HB 2005 upends the current process without furthering public safety or the principles of fair justice. The biggest concern is that it will lead to more drivers choosing to go to court in the hopes of having the ticket dismissed, with the knowledge that they can still choose defensive driving school to avoid getting points on their
license. This increase in traffic cases would add strain to both our court and police resources, as officers are required to show for court to substantiate their tickets. As you are aware, police time is a precious resource and not something for drivers to try to “game” by seeing if the officer will show up for court. The bill also adds more complexity and cost to the court data sharing system, without providing any real benefit to the public, except to those with the extra money to pay the cost of a traffic ticket and defensive driving school.

Representatives Anthony Kern (R-Glendale) and Noel Campbell (R-Prescott) expressed concerns with the bill because of its potential impact on police and the courts but voted to let the bill move out of committee. The League will continue to lobby legislators to oppose the bill but we ask that you let your delegations know that you oppose the bill.

**Municipal Judges**

Virtually all cities and towns in Arizona with a municipal court appoint their municipal judge and have the authority to remove or retain the judge based on their performance. While they are evaluated at fixed intervals by the council, they are mostly overseen by the Administrative Office of the Courts (a state agency under the purview of the Arizona Supreme Court). The evaluations done by councils are based on how the judge has performed in following proper procedure and managing the courts resources. Some have argued, without evidence, that this can lead to political pressure on judges to collect more fines for the city. What these proponents fail to mention is that courts use much more in general fund revenue than they collect in fines but, like police and fire service, are an absolute necessity that must be provided regardless of the cost. Court fines are in no way tied to court funding and the penalties imposed by municipal judges are meant to punish/correct bad behavior that endangers the public, not fund the court. In fact, some communities use volunteer judges to reduce court costs without cutting service. These judges provide a vital public service for free.

HB 2043 municipal judges; terms; retention election, sponsored by Representative John Kavanagh (R-Fountain Hills), would require municipal judges to stand for a retention election every four years, instead of simply being reappointed by the council. The proponents of the bill argue that most state judges stand for retention elections and that municipal judges should also. However, state judges are covered by the Judicial Performance Review Commission, which uses considerable time and resources to provide voters with information on these judges’ performance. Municipal judges are not covered by the commission, so the bill would ask voters to decide whether a judge has done well or not without any objective information.
In addition to forcing judges to participate in the political process (anathema to most judges) this bill would in many cases ask a person that receives no compensation to spend time and money to get reelected to provide a public service for free. Additionally, many jurisdictions have consolidated courts, where a single judge may serve as both the municipal judge and the Justice of the Peace. These judges would have to stand for two elections to continue serving in their current roles.

Finally, the length of the ballot has often been raised as an issue by voters. With some communities having up to eight magistrates the bill could significantly increase the length of the ballot, adding costs for local elections. In fact, in places like Maricopa County it could extend the ballot onto a second page. This bill would make the ballot longer, for an office that most cities have chosen not to make political, based on no information on which the voter can decide. The League requests those communities with municipal courts that would be negatively affected by this bill to contact their legislators and urge opposition to HB 2043.

Photo Radar

HB 2587, sponsored by Representative John Kavanagh (R-Fountain Hills), would have required cities and towns with photo radar enforcement to conduct speed studies every two years under very restrictive, and unrealistic, circumstances. Fortunately, the Town of Paradise Valley, the City of Mesa and the League provided convincing testimony that led to the committee voting the bill down 6 to 1. If they represent your district, please thank Representatives Richard Andrade (D-Glendale), Leo Biasiucci (R-Lake Havasu City), Noel Campbell (R-Prescott), Rosanna Gabaldon (D-Sahuarita), Arlando Teller (D-Chinle) and Bob Thorpe (R-Flagstaff) for voting no.

State Liquor Board

Cities and towns regularly make recommendations to the State Liquor Board about whether a liquor license applicant, or the location where they plan to operate, would serve the best interests of the community. The State Liquor Board, composed of seven members (two of which have a financial interest in the liquor industry), regularly ignores such recommendations, even when they raise serious concerns. Cities and towns are not generally opposed to liquor licensees, as their businesses (bars, restaurants, clubs) can generate revenue, boost tourism and add to the quality of life of our residents. However, some liquor establishments also come with the potential for trouble. Strip clubs have had problems with violence, prostitution, and drugs.
To ensure that licensees are acting responsibly, it is important that the State Liquor Board fully vets all applications and reflects the full range of interests and perspectives of the community. Currently the board has two industry representatives but only one person representing neighborhoods. After discussing the issue in the League’s Public Safety, Military Affairs and the Courts policy committee, a resolution was forwarded and approved by the full Resolutions Committee at the Annual Conference to add more representation on the board for cities and towns. As a result, Representative Anthony Kern (R-Glendale) has sponsored HB 2473. The bill passed out of the House Commerce committee this week on a unanimous vote with no one signing in or speaking in opposition. It will now move to the Rules committee on its way to a floor vote. The League supports this bill and thanks Rep. Kern for his sponsorship.

**Improper Use of Public Resources**

This week the House Government and Elections committees heard HB2026 public resources; influencing elections; penalties, sponsored by Rep. John Kavanagh (R-Fountain Hills). Among other provisions, it would establish a right to action for any resident to initiate a lawsuit in superior court against a city or town believed to be in violation of state law prohibiting use of public resources to influence an election.

The League testified in opposition to this legislation since there are already existing processes for the public to file complaints if they believe public resources were improperly used. The county attorney and the attorney general have the resources to investigate these claims to see if there is enough evidence the law has been violated before filing an action in court. HB2026 allows for this process to be circumvented, which may lead to lawsuits being filed without cause.

Please reach out to your legislators and request they oppose this unnecessary legislation.

**Economic Development**

SB 1147, sponsored by Senator Vince Leach (R-Tucson), requires the governing body of a city or town to appoint an independent appraiser to determine the valuation of any land or building sold for economic development activities if the land or building is valued at more than $50,000. The bill also requires that the governing body make the valuation report available to the public for 4 weeks before completing the agreement for sale or lease and requires the governing body to provide all details of the impending transaction to the public in advance of the economic development agreement. Finally, the bill indicates that economic development is something strictly of statewide concern.
The League opposed SB 1147 because we believe it would be an impediment to economic development. Cities and towns often engage in transactions for economic development that take many factors into consideration including the value of the land or building, the development that will be created in its place, the industry the development might attract, and the overall public benefit. Many of these conversations are had at the council level, often in executive session.

The bill passed Senate Government on a party like vote, 4-3. However, Senator Pratt and Senator Borrelli expressed significant concerns with the bill. Please encourage your senators, including Mr. Borrelli and Mr. Pratt to oppose SB 1147 as bad for economic development.

**Legislative Bill Monitoring**

All bills being actively monitored by the League can be found here.
Legislative Update

Today is the 40th day of session. Committees in both chambers wrapped up the first round of hearings in time before the deadline; however, the Appropriations Committees will have an additional week to hear legislation. As a result, bills that were not heard in standing committees to which they were assigned will not be moving forward, including some that the League was monitoring very closely. For example, HB2108 real estate signs; cities; counties, restricting municipalities from regulating placement of real estate signs on private property and within rights-of-way, and HB2635 prohibition; photo radar, prohibiting cities and towns from utilizing a photo radar enforcement, will not be moving forward this session. However, there are still several problematic bills remaining in the process, including legislation exempting certain software products from taxation, requiring voters to retain municipal judges, mandating city and town elections to be partisan, among others. Next week is crossover week, which means many of these bills will be moving to the floor for debate and a vote. Now is the time to speak with your delegation and ask they vote NO on these measures.

CALL TO ACTION – Short-Term Rentals

As previously reported, the League has been working with Representative John Kavanagh (R-Fountain Hills) on a bill to provide cities and towns an enforcement tool to control the problems caused by short-term rentals. That bill is HB2672 vacation rentals; short-term rentals; regulation, which was heard in House Government this week. Throughout this process the League has been working with the sponsor to address the concerns of other stakeholders and to build strong bipartisan support for the measure. In addition to the sponsor, the bill currently has 55 co-sponsors, including 29 Republicans (19 in the House, 10 in Senate), 26 Democrats (16 in the House, 10 in the Senate), the Speaker of the House and the President of the Senate.
During the hearing legislators and other stakeholders raised several concerns, most frequently the occupancy limits established by the bill, arguing that larger homes should be allowed a higher occupancy and that these restrictions would unduly harm responsible short-term rental owners. From the League’s perspective, the most important provisions of the bill are: 1.) allowing cities and towns to receive, share internally, and use TPT license information about these properties and their owners; and 2.) having a forceful mechanism to stop bad actors from continuing to allow their transient renters to be a nuisance to the community. The League will continue to work with the sponsor and other stakeholders to ensure our members’ top priorities are addressed but that we have the political support to ensure passage.

After a very lengthy discussion on the bill, it passed out of committee on a mixed vote of 8 ayes, 2 nays, and 1 legislator voting present. The League has agreed to work with the other stakeholders to address their concerns to alleviate the concerns that legislators expressed during committee. The League will be meeting with the legislators on the committee and other members of the House majority to continue building support.

**The League asks that you reach out to your House members and emphasize how important this legislation is to your community.** While we are confident that the final bill will be a reasonable compromise that provides substantial relief for cities and towns, we want to ensure a strong vote on the House floor as the bill continues to move through the process.

**Distracted Driving**

SB1165 S/E: texting while driving; prohibition, sponsored by Senator Kate Brophy McGee (R-Phoenix), passed the Senate Transportation and Public Safety Committee 7-1 on Wednesday. The committee members listened to testimony from victims of traffic accidents caused by distracted drivers – including the family of the Salt River Police officer who was struck and killed by a distracted driver while conducting a traffic stop. The League testified in support and provided for the committee’s record letters of support signed by mayors from across the state.

The bill is an emergency measure that establishes a statewide hands-free law that bans holding a wireless device while driving, with certain exceptions. Drivers may operate their device by a single tap or swipe to activate a feature or while using hands-free features, such as talk-to-text or Bluetooth accessories. The law will establish an education period to expire in January 1, 2021 allowing drivers to adapt to the new requirements. During this time, law enforcement will only be issuing warnings for violations.

The bill will preempt local distracted driving ordinances; however, cities, towns and counties will have the option to continue enforcing their existing hands-free ordinances
and penalties until January 1, 2021 when the new state law and penalties take effect or amend their existing ordinance to mirror SB1165. The bill has been assigned to a Rules Committee hearing next Monday and could soon move to the full Senate for debate and a vote.

HURF Distribution

On Wednesday night the House Appropriations Committee considered HB2047; HURF distribution; cities, towns, counties, sponsored by Representative David Cook (R-Globe) that directs an initial $18 million to rural counties and cities before calculating the additional funds based on the traditional formula.

The League testified in opposition, indicating that the root cause of the HURF funding problem is that the available pool of money is too small because the gas tax has not been raised since 1991. The current gas tax of 18 cents, adjusted for inflation, is 33 cents in today's dollars, and the purchasing power of the pool of HURF funds will continue to decline if not addressed. This year the League is supporting legislation proposed by Representative Noel Campbell (R-Prescott), HB2536 fuel; electric cars; hybrids; taxes that, among other provisions, would gradually increase the state's tax on gas and diesel sales, and thereafter be adjusted by changes in the GDP implicit price deflator.

Now that HURF sweeps have been eliminated in the Governor’s proposed budget, rural and urban cities and counties would all be better served by addressing the lack of overall funds in HURF and HB2536 provides that solution. Unfortunately, HB2047 was voted out of committee 9-1.

Online Lodging Marketplace Collections

HB 2027: online lodging marketplace; local taxation, sponsored by Representative John Kavanagh (R-Fountain Hills), passed out of the House Ways and Means Committee Wednesday on a unanimous vote. The bill fixes a technical problem relating to the authority of the Department of Revenue to collect taxes from online lodging marketplace companies such as Airbnb and VRBO and remit them to cities and towns. Its next stop is the House Rules Committee.

Wayfair Implementation

The bill that implements the US Supreme Court’s Wayfair decision in Arizona, HB 2702: TPT; marketplace facilitators; nexus, sponsored by Representative Ben Toma (R-Peoria), moved out of the House Ways and Means Committee on an 8-2 vote. The bill establishes an “economic nexus” for out of state sellers doing business in Arizona at 200 transactions or $100,000 a year. Once an online seller crosses that line, they are
required to collect state and local taxes on all future transactions. Most online sellers are already complying with this process under the previous “physical nexus” test. The bill provides for a single point of collection, the state Department of Revenue, and does not apply retroactively. In-state brick and mortar businesses, business organizations, shopping center operators and online sellers such as Amazon, all testified in support of the bill in committee. To further implement this decision, the Municipal Tax Code Commission met on Friday and adopted amendments to the Model City Tax Code that conform the MCTC definition of retail transactions with the state definition. The League thanks Rep. Toma for his leadership on this very important topic.

Municipal Food Tax

HB 2638: municipal tax; exemption; food, sponsored by Representative Shawnna Bolick (R-Phoenix), was approved by the House Ways and Means committee on a 6-4 vote. This version of the bill has a population threshold that means it would only apply to the City of Phoenix, which currently does not have a tax on food for home consumption, but it could be easily amended to apply to some or all other cities and towns. This tax is a critical source of revenue for many cities and towns, particularly in rural and tourist areas. The state does not tax food, so the rate of this tax is low, usually around $1 in tax for every $50 grocery sale. It provides more than $115 million in revenue to cities and towns across the state. Please ask your House members to oppose this bill.

Reconstruction Contracting/Land Deduction

On Wednesday morning the House Ways & Means Committee considered HB2357; reconstruction contracting; local tax; exemption, sponsored by Representative Ben Toma (R-Peoria). A mirror bill, SB1367; reconstruction contracting; local tax; exemption, sponsored by Senator J.D. Mesnard (R-Chandler), was heard Wednesday afternoon in Senate Finance Committee. The bills were originally drafted to address some issues developers had identified with a lack of clarity in the speculative builder section of the Model City Tax Code.

Over the past two weeks the League has met with proponents of the bill to identify their issues and understand the intent of the legislation. Through that process, the League identified that builders had been incorrectly assessed taxes on certain speculative builder projects and that we could resolve the industries’ issues with some simple amendments at the Municipal Tax Code Commission (MTCC).

In addition to the changes where the League and proponents identified incorrect application, the builders also included language in the bill requiring cities to select Option N under the speculative builder code resulting in a 20% land deduction for each speculative builder property sale. The impact of this change for the cities and towns
without Option N would be a 20% decrement in revenue totaling approximately $6.8 million per year.

The League testified in opposition, indicating that many of the issues of the industry would be satisfied at the next meeting of the MTCC. However, if the industry were to pursue further the land deduction portion of the bill, cities and towns were collectively opposed. We believe, now that the MTCC has made the industry-desired changes unrelated to the land deduction, there is a high likelihood the proponents will no longer pursue the additional language on the bill.

Unfortunately, despite our testimony in opposition, HB2357 passed out of House Ways & Means on strict party line vote 6-4 and SB1367 passed out of Senate Finance 9-1.

**Legislative Bill Monitoring**

All bills being actively monitored by the League can be found here.
Legislative Overview

Today is the 47th day of the legislative session. The total number of bills introduced is 1,289 and 96 memorials and resolutions have been introduced. Seven bills have passed the legislature, of which six have been signed by the governor and one has been vetoed.

Cross-over week concluded after both chambers spent several hours each day with floor debates and votes to submit bills to the opposite chamber. There are still several measures in the House that are either waiting for a Rules Committee hearing or for a final vote, and this process will likely continue in the coming weeks. However, tensions between lawmakers in the House erupted openly, leading to some bills failing their final votes or being stalled by lengthy debates and legislative maneuvering. At one point, a sudden House rule change prompted heated debate on the floor for quite some time, delaying action on several House measures waiting for a vote. It is rather unusual to see this level of stress so early in the session and it may lead to further delay in approving other key session items, including the state budget.

Peer-to-peer Car Bills

Two competing measures have been introduced this session to define and regulate a new peer-to-peer business model for renting cars. HB2559 peer-to-peer car sharing, sponsored by Representative Travis Grantham (R-Gilbert) and SB1305 peer-to-peer car rentals, sponsored Senator David Livingston (R-Peoria) take different approaches to define and regulate this activity. HB2559 seeks to categorize this business as similar to Uber and Lyft rideshare activity while also providing exemptions from sales taxes and surcharges imposed on rental car transactions. SB1305 would define and regulate this business like a rental car transaction that is subject to all the consumer protection and tax and surcharge obligations the rental car industry must comply with.
The legislature has taken up similar measures in previous years to determine how to apply regulations and taxes to new business models while also providing a level playing field with bricks-and-mortar businesses providing the same product. For example, in 2016 a law was enacted to regulate the online short-term vacation rental industry, such as Airbnb, that subjects transactions conducted on these sharing platforms to the same TPT and bed taxes the hotel industry is obligated to pay. We believe any legislation for the P2P car rental market should do the same, which is why the League is supporting SB1305.

The tax and surcharge exemptions in HB2559 are of concern because of the loss of revenue generated from car rental fees and TPT that pays for Spring Training Baseball ($640M in 2018 to the Arizona economy), Arizona Cardinals Stadium, public safety, road projects, and general city administration. Providing an exemption solely to P2P platforms while continuing the full tax on transactions conducted by car rental companies creates an unlevel playing field. We believe other new emerging technologies will seek the same treatment in the future and further erode the tax base. While the term applied to these transactions is “sharing,” P2P car sharing is nothing more than a car rental transaction that is currently subject to state and local TPT under statute and the Model City Tax Code, including tourism surcharges that were approved by the voters. SB1350 will allow the P2P car sharing economy to operate in Arizona while ensuring state and local TPT and tourism surcharge obligations are applied equally.

Remote Seller Study Committee

On Tuesday night the Senate Appropriations Committee considered SB1155; remote sellers; taxation; study committee, in a strike-everything amendment sponsored by Senator Vince Leach (R-Tucson). SB1155 proposed to study the Wayfair issue over the summer of 2019 and to return an analysis on December 15, 2019 regarding what direction the legislature should move going forward.

The League testified in opposition, indicating there was another bill in the House, HB2702, sponsored by Rep. Ben Toma (R–Peoria), that passed through the House Ways & Means Committee last week the implements the US Supreme Court Wayfair decision as many other states have done, and that we should not attempt to preempt that bill’s progress with confusion of a study committee. While there was significant debate in committee, the bill ultimately passed out on a 5-4 vote.

Yesterday, SB1155 came to the Senate Floor for a Third Read where it failed to pass by a vote of 11-19.
Defensive Driving School

This week HB 2005 moving violations; defensive driving school, sponsored by Representative John Kavanagh (R-Fountain Hills), was voted out of the House on a strict party line vote of 31-29. It now moves on to the Senate where it is likely to continue moving through the legislative process.

The bill would allow a driver cited for a moving violation to opt for defensive driving school after being found responsible by the court. Currently, a driver must choose between completing defensive driving school seven days before their court date (which results in the ticket being dismissed) or going to court.

HB 2005 will likely lead to more drivers choosing to go to court, with the knowledge that they can still choose defensive driving school even after being found responsible. Police officers would be required to appear in court to substantiate their tickets even if the cited driver later chooses the driving school option. This would further strain our police and courts, without changing the outcome of these cases or otherwise benefiting the public.

If your community is concerned about the impact this bill would place on your police and courts, please reach out to your district Senators to make them aware of the unintended consequences of the bill and ask that they vote NO.

Landlord-Tenant Issues

HB 2115 landlord tenant; state preemption, sponsored by Rep. Gail Griffin (R-Hereford), was also voted out of the House this week, also on a strict party line vote of 31-29. This bill is a broad state preemption of city and town authority to enact or enforce any regulations related to landlord-tenant issues.

Currently, some cities have ordinances that regulate landlord-tenant issues, but many do not. As with short-term rentals, when the state preempts cities on local issues that have been handled responsibly in the past, new problems tend to pop up and existing problems tend to be exacerbated.

In order to avoid having to fix problems created by the bill later on, we ask that you please reach out to your district Senators now and let them know this is not needed and will only lead to problems at the local level later on, the kinds of problems which the state can’t or won’t help resolve.
Legislative Bill Monitoring

All bills being actively monitored by the League can be found here.
Today is the 54th day of the legislative session. Most standing committees in both chambers returned to regular order to begin hearing bills that have crossed over. House and Senate floor sessions focused on debates and votes on bills to send to the opposite chamber before the last committee hearing deadline. Budget-related small group meetings have begun in the Senate; however, no definitive details have been discussed. The highway safety fee and tax conformity will continue to be sticking points in budget negotiations. The narrow margins in the House will likely complicate the budget process more than we have seen in previous years.

The highway safety fee remains an unsettled issue. As reported in previous bulletins, lawmakers have introduced bills to either cap the highway safety fee or repeal it. While the governor hasn’t formally indicated how he will address either measure if they reach his desk, it has been noted that any reduction or repeal of the fee will jeopardize budget priorities to improve key commerce corridors, such as the expansions of I-17 and I-10. HB2320 highway safety fee; reduction, sponsored by Representative Noel Campbell (R-Prescott) and SB1001 highway safety fee; repeal; VLT, sponsored by Senator Michelle Ugenti-Rita (R-Scottsdale) are the measures targeting the fee. HB2320, that caps the fee at $18, failed to pass the House, but the bill has been revived and is expected to be further amended on Monday before proceeding for another vote of the full House. SB1001, that completely repeals the fee, was scheduled to be heard in the House Transportation Committee this week but was held from consideration by Chairman Campbell.

Peer-to-peer Car Rental Bills

The Senate on Thursday approved SB1305 peer-to-peer car sharing; taxation, sponsored by Representative David Livingston (R-Peoria). The bill establishes
regulations for the P2P car sharing industry and applies the same state and local TPT and surcharges the rental car industry must pay to car sharing transactions conducted on P2P platforms. The bill passed 27-3 and now proceeds to the House for committee assignment. The competing measure, HB2559 peer-to-peer car sharing, sponsored by Representative Travis Grantham (R-Gilbert) has not been scheduled for a vote in the House. This measure exempts car sharing transactions from state TPT and surcharges and, if enacted, would create a competitive advantage over the conventional car rental industry.

HURF Distribution

On Thursday afternoon in the House Committee of the Whole, Representative David Cook (R-Globe) offered an amendment to HB2047; HURF distribution; cities, towns, counties. The original version of the bill directs an initial $18 million from HURF to rural counties, towns and cities before calculating the additional funds based on the traditional formula.

The amended version of the bill does not sweep any money from the HURF distribution, but instead calls for an appropriation of $30M combined to all counties and another $30M combined to all cities and towns. The county formula allocates $1.5M to each county with the remaining monies distributed to counties based on population. The city and town formula allocates $150k to each city or town with the remaining monies distributed based on population.

Mr. Cook’s amendment was accepted, allowing the League to move from a position of opposition to a position of support. HB2047 is on a third read calendar on Monday, March 11 where we hope it will receive wide support.

Legislative Bill Monitoring

All bills being actively monitored by the League can be found here.
Legislative Update

Today is the 61st day of session. This week both chambers continued progress in standing committee hearings; the deadline to hear bills in committee is March 29, two weeks from today. Floor action, particularly in the House, was at a slow pace due to some measures sparking heated debates. Democrats in both chambers on Wednesday moved to ratify the Equal Rights Amendment, trying to make Arizona the 38th state to do so. Democrats in the Senate attempted to suspend the chamber’s rules to allow the bill to be voted on, but that effort failed after hours of debate. Democrats in the House used their floor time to support ratifying the ERA.

House leadership this week confirmed the 37 House bills remaining in the Rules Committee will not be moving forward. Among the measures held include League-supported bills such as HB2702 TPT; marketplace facilitators; nexus that implements the Wayfair v South Dakota decision, HB2465 appropriation; Interstate 10; widening; study that appropriates $10M to ADOT to the study widening the Interstate 10 between Casa Grande and Chandler, and HB2365 tax credits; affordable housing that establishes a state tax credit for developing affordable housing projects in rural and urban areas. It is very unusual to see this number of bills held by the Rules Committee Chair as this committee is charged with determining constitutionality, not political merit. Lawmakers have expressed their frustrations with this issue, and the House speaker accepted responsibility for stopping the measures by stating the Rules Committee is an extension of the speaker’s office. It is likely that some Senate bills will suffer the same fate.

To date, there has been no definitive progress on the state’s budget, leading some to believe session will extend longer than usual. There hasn’t yet been an agreement between legislative leaders and the governor on tax conformity or the highway safety fee, both of which are key items of discussion.
Digital Goods

This week was a busy one for discussion on SB 1460: TPT; digital goods and services sponsored by Senator Michelle Ugenti-Rita (R-Scottsdale). On Tuesday, the bill was discussed in caucus meetings where it was unanimously panned by the Democrat Caucus. In the Republican Caucus there were a few key supporters who spoke in favor of the bill, while the Senate President indicated the caucus had friends on both sides of the issue and she was hopeful all parties could come to a conclusion.

Just last week, the League offered an amendment to stakeholders that would codify in law tax treatment of certain digital products, identify specified digital goods, and provide clarity to the Department of Revenue and taxpayers. Unfortunately, the League’s proposal was rejected by the bill’s proponents.

On Wednesday, in the Arizona Capitol Times Yellow Sheet, President Fann was quoted as indicating there were at least 4 Republican senators opposed to SB1460 in its current form and she was not inclined to put the bill up for a vote unless she was assured it could pass. President Fann was also quoted as saying the Arizona Department of Revenue would release a projected fiscal impact of SB1460 within days that might give the legislature more direction on this issue.

As of this publication the analysis has not been made public. However, the League feels confident that the Department will find that this year’s bill lacks clarity for the business community and will result in a substantial revenue impact. The League is anxious for the document to be published and stands ready to provide a response upon release.

Short-Term/Vacation Rentals

HB2672 vacation rentals; short-term rentals; regulation, sponsored by Representative John Kavanagh (R-Fountain Hills), was voted out of the House on a vote of 41-19, with 12 Republicans joining all the Democrats to vote yes. The support was not as robust as we had hoped for (particularly among the majority caucus) but the bill is still moving.

The League is continuing to have discussions with city and town government affairs staff and other stakeholders on the language of the bill to ensure the final legislation is workable and useful to our members while still being palatable to the Arizona Department of Revenue, the responsible actors in the short-term rental industry that want to work with us, and most importantly, legislators, the Governor and their staffs.

The next hurdle is getting the bill on the agenda for the Senate Commerce committee, chaired by Sen. Michelle Ugenti-Rita (R-Scottsdale). Bolstering support for the bill in the Senate will be vital, as the debate in the House committee hearing and the final vote in the House has reduced its momentum. **If your community has a relationship with**
any of the members of the Senate Commerce committee, or with any other Senators, please reach out to them to voice your support and urge a yes vote.

Peer-to-peer Car Rental Bills

On Wednesday the House further amended HB2559 peer-to-peer car sharing, sponsored by Representative Travis Grantham (R-Gilbert) to apply a tax distribution scheme that continues to allow cities and towns to tax P2P car rental transactions and also redirects the state TPT collected to offset the exemptions of certain car rental surcharges imposed on the traditional car rental industry, such as the Tourism and Sports Authority (TSA) surcharge.

The distribution formula the amendment established is as follows: 1) it first runs the state tax collected by the P2Ps through the normal distribution for cities (net, 0.50% of the 5% tax collected) and counties (net, 0.8102%) as Shared Revenue, total of 1.3102% out of the 5% collected, leaving 3.6898%; 2) it next looks to the balance of tax paid by a P2P in Maricopa County and assesses 3.5% on the related gross receipts to pay the TSA; 3) it next looks to the balance of tax paid by a P2P in a county with a population less than two million, with a stadium district tax (Pima County) and assesses 3.5% on the related gross receipts to pay the stadium district; and 4) it returns the balance from those counties (0.1898% portion of the 5% state tax rate) to the state General Fund.

The amendments also allow the state’s airports to regulate and levy fees and charges for all transactions conducted at the airport. The bill passed 44-16 and now proceeds to the Senate for committee assignment.

Legislative Bill Monitoring

All bills being actively monitored by the League can be found here.
Legislative Overview

Today is the 68th day of session. Next week is the last to hear bills in the opposing chamber, except for the Appropriations committees that will have an additional week to hear measures. The last few of weeks of committees we typically see a high-volume of strike-everything amendments to keep issues moving through the process that have stalled, failed a key vote or that may be an entirely new subject that hasn’t been vetted yet by either chamber. The House Rules Committee held from consideration several House bills and some Senate bills, and lawmakers in both chambers have openly expressed frustration with this and are seeking strike-everything amendments in the Senate chamber to bypass House Rules.

To date, 37 bills have passed the legislature and were submitted to the governor. Eight of these measures have been signed and one has been vetoed.

Public Right to Action

On Thursday the Senate Judiciary Committee held from consideration HB2026 public resources; influencing elections; penalties sponsored by Representative John Kavanagh (R–Fountain Hills). The bill would have allowed the public to sue any city, town, county or school district for an alleged violation of statutes prohibiting the use of public resources to influence elections, bypassing an already established process through the county attorney or attorney general that handles these claims. The League drafted an amendment that would have maintained the requirement for the public to first file the claim with the attorney general or their county attorney, and only allow the public to file an action in the courts if these public officials took no action on the claim.
Landlord-Tenant Preemption


Over many years, several cities have worked with their residents to create and adopt codes that establish specific standards for rental housing, including the adequacy of heating, cooling, water pressure and temperature, and other things such as the provision of lighting on exterior walkways and peep holes for front doors. Arizona cities and towns have used this authority responsibly for decades to protect their community, their tenants, and their landlords. While state statute provides some basic protections for tenants related to evictions and some general requirements for landlords, no state agency enforces these regulations and tenants and landlords must rely on the courts for relief. Cities and towns often serve as the first place where residents look to for help in resolving problems with housing.

As illustrated by short-term rentals, when the state preempts cities on local issues that have been handled responsibly in the past, new problems tend to pop up and existing problems tend to be exacerbated. While the League has been working to pass a bill this year that will provide some relief to the problems caused by short-term rentals, we have simultaneously been alerting legislators that HB 2115 could lead to other problems at the local level that would need to be continually addressed at the legislature.

The League will continue to oppose the bill, to work with other groups affected by this issue, and to bring more awareness to the issue both in and outside of the Capitol. In that vein, we have created and shared a short video which highlights the problem. Click this link to watch and share.

Primary Election Date

On Tuesday, the House Elections committee heard SB 1154 primary date; first August Tuesday, sponsored by Senator David Gowan (R-Sierra Vista). The bill would move the primary election date to the first, rather than the last, Tuesday in August. It also moves the start date for the candidate petition filing period to five months before the election and conforms all other dates associated with the primary election. As we do every year, League staff has been tracking and reviewing all election-related legislation and having discussions with the county associations about their impact. After reviewing this bill,
several technical issues were identified and shared with the sponsor. During committee, the sponsor agreed to make changes to the bill so that it could be implemented properly. We have shared our proposed language to address the issues raised with legislative staff and expect the bill to be amended accordingly on the floor of the Senate in the coming days.

Legislative Bill Monitoring

All bills being actively monitored by the League can be found here.
Legislative Overview

Today is the 75th day of session and the last day for bills to be heard in standing committees, except for the Appropriations committees that will be meeting Tuesday (Senate) and Wednesday (House) of next week. To date, 47 bills have passed both chambers and were submitted to the governor. Governor Ducey has signed into law 35 bills and vetoed one bill.

Bills amended by the opposite chamber that are not approved by the sponsor in the originating chamber or that need additional work before a final vote must be assigned to a conference committee prior to the April 19 deadline. These committees consist of lawmakers from both chambers that convene to discuss and approve compromise amendments before the bill receives a final vote.

Floor activity this week in the House stalled after the resignation of Representative David Stringer (R-Prescott), which was effective 4 p.m. on Wednesday. This brings the party split in the chamber down to 30 Republicans, just one vote shy of a majority to pass legislation, and 29 Democrats. The Yavapai County Board of Supervisors will be selecting Stringer’s replacement from a slate of nominees selected by precinct committeemen in LD1. It is expected that Stringer’s replacement may be selected next week.

Peer-to-peer Car Bills

This week six measures regarding taxing and regulating Peer-to-peer car sharing were scheduled for committee hearings in both chambers, including the original competing measures that have been introduced this session: HB2559 peer-to-peer car sharing, sponsored by Representative Travis Grantham (R-Gilbert) and SB1305 peer-to-peer car rentals, sponsored Senator David Livingston (R-Peoria). Both sponsors drafted strike-everything amendments that were assigned to committees in both chambers to keep their version moving through the process in the event one of the bills failed a vote.

SB1305, the version that applies taxes and surcharges paid for by car rental carriers to transactions conducted on peer-to-peer platforms, was heard in House Commerce on
Tuesday. The sponsor of the competing version, Representative Grantham, is the vice chair. After much debate, the bill failed by a vote of 3-5, with Representatives Grantham, Weninger, Kern, Meza and Chavez voting no. However, SB1305 was revived by a strike everything amendment to HB2688 S/E: taxation; peer-to-peer car sharing on Wednesday morning in the Senate Transportation and Public Safety Committee by Senator Livingston, the chair of the committee. No debate or discussion was offered, and the bill passed with a vote of 7-1; Senator Eddie Farnsworth (R-Gilbert) voted no.

Later that afternoon HB2559 was heard in the Senate Finance Committee where lengthy debate and testimony was offered. This version exempts transactions conducted on the peer-to-peer platforms from tourism surcharges that car rental carriers are required to pay. It proposes to redirect state TPT to offset this exemption but puts at risk the monies some cities rely on to pay for existing debt obligations for Spring Training facilities by opening the opportunity for the legislature to sweep the funds for other budget priorities. This bill passed the committee by a vote of 5-3, with Senators Livingston, Bowie and Contreras voting no. At the same time, the House Transportation Committee heard a strike-everything amendment to SB1015 S/E: taxation; peer-to-peer car sharing that was substantially like SB1305 and was intended to keep the version moving through the process. However, the committee failed to pass the bill by a vote of 2-4-1, with Representatives Campbell, Teller, Gabaldon and Andrade voting no and Biasiucci voting present. The remaining strike-everything amendments to keep the HB2559 version moving through the process were not offered in Senate Commerce or Senate Judiciary because the bill received a favorable vote in Senate Finance.

Now the two competing measures, HB2559 and HB2688, proceed to the Senate Rules committee.

**Distracted Driving**

The Senate Transportation and Public Safety Committee approved a strike-everything amendment to HB2318 S/E: texting while driving; prohibition; enforcement, that is substantially identical to SB1165 texting while driving; prohibition, sponsored by Senator Kate Brophy-McGee (R-Phoenix). SB1165 stalled in the House Rules Committee and is likely it will not move forward this session. However, the issue will continue with the passage of HB2318, which was approved by a a vote of 6-2; Senator Sonny Borrelli (R-Lake Havasu City) and Senator Eddie Farnsworth (R-Gilbert) voting no.

The bill will proceed to the Senate Rules Committee and to the full Senate for debate and a vote. If approved, HB2318 will be transmitted back to the House where the sponsor of the underlying bill, Representative Noel Campbell (R-Prescott), will either concur or refuse the Senate amendments. This process will bypass the House Rules Committee where the original version of the bill was held by the chairman, Representative Anthony Kern (R-Glendale).
Data Centers

On Wednesday, the House Ways and Means committee heard testimony on SB1366: commerce authority; data centers sponsored by Senator J.D. Mesnard (R-Chandler). The bill proposes to define “enabling software” as it relates to the definitions for tax exemptions on data centers of $50 million or more. The proponents of the bill suggest the definition of “enabling software” should include anything used by the data center that is not distributed to consumers.

It is the belief of the League as well as many in the economic development community that this language broadens the intent of the 2013 exemptions resulting in a revenue loss. Additionally, the bill is applied retroactively to 2013 which would have a further fiscal impact on cities and towns required to refund taxes already paid. It is our view the original intent of the exemption was to provide tax breaks for the construction, installation, servers, and software used to enable the data center to run, but industry specific software such as sales, marketing, or coding software were not eligible for exemptions.

The League opposed the bill in committee and referenced the expansion of the exemptions and the corresponding fiscal impact. It is our objective to provide clarity to the business community on the definition of “enabling software” without expanding the current exemptions which make Arizona one of the most attractive data center markets in the country. The bill ultimately passed out of committee on a party line vote of 6-3 with one member absent.

Smoking/Vaping Local Preemption

This week a strike everything amendment was adopted onto SB1147: S/E: tobacco products; vapor product with the amendment offered by Representative John Allen (R-Phoenix). The amendment increases the statewide minimum smoking age for tobacco to 21 while setting the smoking age for vaping products at 21 as well. The striker provides penalties for individuals buying or possessing these products if under the age of 21, prohibits the sale of all products in vending machines except in locations where someone must be above the age of 21, and contains a state preemption that the sale and regulation of these products is an issue of statewide concern.

The proponents of the bill suggest their statewide concern language is limited to only the sale and marketing of tobacco and vaping products. However, upon legal review, the League, counties, and school districts all believe the language applies to any regulation by a political subdivision including smoke-free zones and restrictions on sales and marketing in certain locations. For example, many cities ban smoking in public buildings and public places (parks, dog parks, city property, public stadiums, etc.).
Others may restrict the marketing of tobacco or vaping products based on locations, such as near schools.

The League spoke in opposition to SB1147 because of the state preemption and potential impact this will have on local authority. The bill passed out of the House Health and Human Services Committee on Thursday on a party-line vote of 5-4.

**Short-Term Rentals**

On Thursday, the Senate Commerce Committee passed one of the League’s Resolutions, HB2672 vacation rentals; short-term rentals; regulation, sponsored by Representative John Kavanagh (R–Fountain Hills). As previously reported, the bill addresses a significant problem for many communities that have troublesome short-term/vacation rentals and are unable to practically enforce local nuisance ordinances. The committee vote was 4-2, with 2 legislators not voting.

The committee testimony was well received, with the League explaining the impetus for the bill as well as its major provisions. Several community members voiced support for the bill, providing examples of serious problems in their neighborhoods with short-term rentals and expressing a desire for allowing cities and towns to do more. While the committee members expressed some concern with the largest fine that can be imposed under the bill, it was clear that they understood the existing preemption has had unintended consequences and a solution, at least for abusive short-term rentals (“party houses”), is urgently needed.

The League will be meeting again with the sponsor next week to discuss one final amendment to address one remaining technical issue and to potentially modify the largest penalty, but the bill is largely in its final form. The League would like to thank everyone who has played a role in shaping and lobbying for the bill. We ask that you continue to voice your support for the bill with legislators as the bill moves to a floor vote in the Senate and then a final vote in the House.

**State Liquor Board**

Another League Resolution passed out of Senate Commerce on Thursday. HB2473 state liquor board; membership, sponsored by Representative Anthony Kern (R–Glendale), requires one of the governor’s appointees to the State Liquor Board to be selected from a list of three candidates who are current or former municipal elected officials, provided by an association representing cities and towns (the League). The bill passed the committee 6-0, with two legislators not voting, and is expected to continue moving smoothly through the rest of the legislative process in the Senate. We are hopeful that it will receive just as robust a floor vote as it received in the House (60-0). Because
there were no amendments in the Senate, it would go straight to the governor’s desk if approved by the Senate.

Legislative Bill Monitoring

All bills being actively monitored by the League can be found here.
Legislative Update

Today is the 82nd day of session and this week the Appropriations Committees in both chambers held one of their final meetings to act on assigned bills. These committees will reconvene when the FY20 budget package is introduced. However, budget negotiations have not progressed and there are still ongoing discussions on key items, such as tax conformity, where the governor and legislative leadership have not reached an agreement.

April 23 is the 100th day of session, but with no agreement on the budget it is likely the session will extend far beyond this date. Some are speculating the session may extend to late May or early June while a budget deal is negotiated. Both chambers still have several measures left to act on and will likely move these at a moderate pace while budget discussions are still occurring. Both chambers combined have about 349 bills remaining in the process. House Rules has 107 measures to dispose of while Senate Rules has 61. The last day for conference committees to meet is April 19, and to date one bill has been referred to conference. Of the bills that are ready for a floor debate or vote, the Senate has 104 bills while the House has 76.

The House on Wednesday welcomed its newest representative, former Senate President Steve Pierce, who was appointed by the Yavapai County Board of Supervisors to replace outgoing Representative David Stringer who resigned amid an ongoing ethics investigation. Pierce was sworn into office by Vice Chief Justice Robert Brutinel to fill the vacancy left by Stringer, restoring the one vote needed by the Republicans to pass legislation in the House. Floor action had been suspended until the vacancy was filled and resumed immediately after the appointment.
Highway Safety Fee

The House Appropriations Committee approved SB1001 highway safety fee; repeal; VLT, sponsored by Michelle Ugenti-Rita (R-Scottsdale). The League testified in opposition, noting that repealing the fee will remove a dedicated funding source for the state’s highway patrol and likely lead to continued Highway User Revenue Fund sweeps in future budgets that will reduce funding for street and road maintenance for cities, towns and counties.

The bill passed 6-5, with Representatives Andrade, Chávez, Espinoza, Fernandez, and Udall voting no. Please reach out to and thank these legislators for their no vote.

Over-the-Top Communication

The House Appropriations Committee approved a strike everything amendment to SB1019 S/E: TPT; over the top, with the amendment sponsored by Regina Cobb (R-Kingman). The League testified in support, indicating that People Choice TV Corporation Inc v. City of Tucson (2002) prohibited cities and towns from taxing live broadcast television, that we had not been taxing these transactions since that time, and we were supportive of clarifying the issue in statute.

Over the past three sessions this issue has been unnecessarily bundled in to the Digital Goods conversation and the industry consequently has been unable to have their desired clarity reflected in state statute.

The bill passed unanimously 11-0 and in the coming weeks will move to Rules, Committee of the Whole, and 3rd read for a full vote of the House.

2020 Census Outreach

A strike everything amendment to SB1424 S/E: 2020 census; appropriation; outreach was approved by the House Appropriations Committee on Thursday. The amendment was sponsored by Regina Cobb (R-Kingman) and appropriates $5 million to the Department of Administration to contract with a vendor who will conduct a communication and outreach effort on the 2020 Census. This census will be imperative to potentially securing Arizona a 10th congressional seat as well as additional federal funds.

The bill passed 10-1 with John Fillmore (R-Apache Junction) as the lone dissenting vote.
Landlord-Tenant Issues

HB 2115 landlord tenant; state preemption, sponsored by Rep. Gail Griffin (R-Hereford), passed out of Senate COW this week and now awaits a final vote that could come at any time next week. The bill is a broad preemption of city and town authority to enact or enforce any regulations related to landlord-tenant issues.

The state Landlord-Tenant Act, which would become the only source of rights for tenants in most communities throughout the state, provide basic protections from eviction that is only enforceable through the courts. There is no state agency to assist tenants with problems with their landlords.

As such, when tenants have serious, continuous, and wide-ranging problems with landlords, the level of government that has been responsive has been at the local level. Local landlord-tenant codes have been developed in consultation with residents, landlords, and city staff and the resulting regulations have been widely accepted as reasonable, protective to both tenants and landlords, and not an impediment to housing development.

During the COW debate, it was suggested by Senator David Farnsworth (R-Mesa) that if tenants have problems they need addressed, it would be better for them to lobby at the state Capitol for the changes than ask their local elected council for help. However, a simple review of landlord-tenant legislation over the years demonstrates a clear imbalance of power when it comes to lobbying the state legislature on landlord-tenant issues. The proponents of the bill, who represent landlords, regularly lobby for laws that benefit landlords over tenants (see HB 2358, which is likely to pass this year and that allow landlords to evict tenants even if they received partial payment for rent through the tenant’s housing assistance). You can see from media reports that tenants are often at the mercy of unconscientious landlords and feel trapped and helpless (see this article by the Arizona Republic).

The League has continuously argued that cities and towns have responsibly addressed landlord-tenant issues for decades and helped create and sustain a healthy rental market. The state Landlord-Tenant Act provides general guidance regarding what landlords should provide to tenants, but local codes provide more specific details of what should be provided. For example, the state Act requires landlords to provide reasonable heating and cooling but does not specify what is reasonable. City codes add
those definitions which provide clarity and create a level playing field for landlords and tenants.

HB2115 is a sudden, drastic, and broad preemption that does not solve any existing problem. It will instead leave cities and towns unable to respond to bad landlords or litigious tenants in the future. Instead of solving a problem it will create new ones and establish a permanent barrier for tenants seeking relief. Please continue to voice your concerns with legislators about this bill. Your efforts are noticed and do make a difference.

Legislative Bill Monitoring

All bills being actively monitored by the League can be found here.
Issue 14 - April 12, 2019

Legislative Overview

Today is the 89th day of session and to date the legislature has sent 112 bills to the governor’s desk; 85 have been signed, three have been vetoed and the remaining await action by the governor. There are 320 bills remaining in the process. House Rules has 55 Senate bills still pending a hearing and Senate Rules has 47 House bills; eight of these have a hearing scheduled for Monday. One House bill is still pending a hearing in conference committee, which is also scheduled on Monday. Of the bills that are ready for a floor debate or vote, the Senate has 107 bills while the House has 110. With the lack of progress on a budget, the legislature will likely work through the remaining bills at a slow pace, with floor calendars containing only a few bills each day for discussion and a vote.

Action Alert – Distracted Driving

Both substantially identical distracted driving measures, SB1165 texting while driving; prohibition, sponsored by Senator Kate Brophy McGee (R-Phoenix) and HB2318 texting while driving; prohibition; enforcement, sponsored by Rep. Noel Campbell (R-Prescott) are awaiting action in the House. Both bills have stalled as House Republican members have raised concerns over misconceptions of the provisions of both bills and the primary enforcement of the law, rather than secondary.

Unfortunately, there has been a lot of misinformation about these bills being reported, including in the media. On Wednesday’s edition of Arizona Horizon, the program’s host said the bills prohibit using a cell phone while stopped at a stoplight (at 1:50 and 5:50 in the recording)– this is incorrect. In fact, both SB1165 and HB2318 clearly state the law would apply unless the driver is stopped at red light or a railroad crossing – this language can be found in subsection A on page two of both bills, at the beginning of the bill’s language.
Also, on the episode there was discussion regarding the bill’s impact on drivers using GPS equipment, especially in older cars that do not have wireless or Bluetooth systems installed. However, both bills allow portable wireless devices to be used in hands-free mode for navigation and GPS - this provision can be found on page two of both bills - A.R.S. § 28-914(A)(2)(b) and A.R.S. § 28-963(A)(2). In other words, if a driver does not have a built-in infotainment system with GPS installed in their car, both bills will allow drivers to use their cell phones or portable GPS devices for navigation if operated in hands-free mode. Additionally, the law allows drivers to use their hand to tap or swipe their device, including a cell phone, GPS or Bluetooth system, to activate or deactivate a feature. This language can be found on page 3 in subsection B. The bills do not impede the ability to use mobile devices for navigation, even in older cars without an infotainment system.

During the House Republican Caucus meeting on Tuesday, it was suggested law enforcement would be permitted to take possession of a driver’s phone during a traffic stop enforcing the law. This is also incorrect - the bill clearly states on page four in subsection G that law enforcement is prohibited from taking possession of a driver’s device unless authorized by already existing laws – the bill does not expand authority to take possession of a device.

Unfortunately, this misinformation is leading legislators to believe the only way for the bills to move forward is if the law is a secondary offense rather than primary. This, however, would complicate and tie the hands of law enforcement to address this distracted driving behavior that has caused many traffic fatalities, including the recent death of Officer Clayton Townsend who was struck and killed by a driver who admitted to texting behind the wheel. It would also preempt city and town ordinances that designate texting while driving as a primary offense.

Please reach out to your House delegation and request they vote YES on these measures that ban using handheld cellphones while driving as a primary offense.

**Legislative Bill Monitoring**

All bills being actively monitored by the League can be found here.
Today is the 96th day of session. The bulk of the attention at the legislature this week focused on the measures banning the use of wireless devices while driving and other forms of distracted driving. House Speaker Rusty Bowers (R-Mesa) made an announcement on the House floor on Wednesday that he would bring all three measures up for a vote: SB1165 texting while driving; prohibition, SB1141 distracted driving, and HB2318 texting while driving; prohibition; enforcement. This announcement came one week after a small coalition of Republicans in the House voiced concerns over the measures and attempted to prevent a vote on the bills unless they were amended to make the penalties a secondary offense. House Republicans held a closed caucus meeting on Wednesday to again discuss the measures before Thursday’s debate and vote.

The families of those killed in distracted driving accidents, including the family of Salt River Police Officer Clayton Townsend, watched in the gallery as the House brought up each measure for a vote on Thursday. The first bill considered was SB1165 texting while driving; prohibition, sponsored by Senator Kate Brophy McGee (R-Phoenix). It was amended by Speaker Bowers to designate using a cell phone while driving as a secondary offense. The bill was subsequently voted on and failed with a vote of 24-36. In Bowers’ explanation he stated he wanted to provide an option to vote on a bill that included the violation as a secondary offense, at the request of some members. During vote explanations, one member voiced concern that none of the wireless device ban bills would allow drivers to use their phone in an emergency to call 9-1-1. This is incorrect as the bills do provide a defense for emergency situations.

The next bill considered was SB1141 distracted driving, sponsored by Senator J.D. Mesnard (R-Chandler), that prohibits drivers from engaging in any activity that interferes with the safe operation of a vehicle. It passed with a vote of 31-29 and will
soon be sent to the governor. The last bill considered, HB2318 texting while driving; prohibition; enforcement, sponsored by Representative Noel Campbell (R-Prescott), designating the act of using a wireless device while driving as a primary offense, passed the House with a vote of 44-16 and was transmitted to the governor, who has indicated publicly that he will sign this measure.

Arizona is only one signature away, and much closer to enacting a texting while driving law than at any other time within the last decade when similar measures have been introduced. Once signed into law, only Montana and Missouri will be the remaining states without a ban on handheld devices or texting while driving.

Economic Nexus/Wayfair

Earlier this session the League was supportive of HB2702 TPT; marketplace facilitators; nexus sponsored by Representative Ben Toma (R-Peoria). However, the original version of the bill was held up in the House Rules Committee and never made it to the Senate. Over the past month and a half, the House has been working on amendments to the economic nexus language related to the Supreme Court decision on Wayfair.

Last Friday the League was provided a copy of the amendment which included language placing the retail section of the Model City Tax Code in state statute. Certainly, cities and towns place significant value in maintaining the MCTC as a source of more than $500M in annual revenue. In recent days, the League has been working with Representative Toma and others to find a compromise solution all parties can agree to.

Please look for additional communication from the League on this issue and how to best engage with your legislators to accomplish the state’s objective of implementing Wayfair while also protecting local decision making.

Legislative Bill Monitoring

All bills being actively monitored by the League can be found here.
Legislative Overview

This week the legislature surpassed the 100-day mark that has traditionally signaled the end of or nearing the end of the legislative session. Today is day 103 and lawmakers are no closer to inking a deal on the budget, making it entirely possible that rumors of a late May or June sine die is likely. Tax conformity continues to be one of the sticking points and the highway safety fee is also an item of contention between the legislature and the governor as some lawmakers are continuing to pursue a repeal of the $32 fee on vehicle registrations.

Both chambers have not accomplished much work on bills in the past few weeks. Calendars have contained only a handful of bills to keep lawmakers engaged and working on issues while the slow budget process continues. The number of remaining and active bills in both chambers is 258. The Rules Committees in the House has 49 and Senate Rules has 36. Of the bills that are ready for a floor debate or vote, the House has 99 and the Senate has 71. Three House bills were assigned to a conference committee.

Distracted Driving Bill Signed

Governor Ducey held a signing ceremony on Monday for HB2318 texting while driving; prohibition; enforcement, that enacted a statewide hands-free law banning the use of wireless devices while driving. Arizona
was one of the last states in the nation to enact a ban – Montana and Missouri are the remaining states without a ban. House and Senate lawmakers that supported the bill, including Mayors Christian Price (Maricopa), Greg Mangarelli (Prescott), Cathy Carlat (Peoria) and Mayor Pro Tem Billie Orr (Prescott) attended the ceremony that included the families of distracted driving victims. Also attending was former State Senator Steve Farley who introduced and advocated for legislation to enact a ban during his tenure at the Capitol. This year’s legislation was championed by Senator Kate Brophy McGee (R-Phoenix) and Representative Noel Campbell (R-Prescott).

The law took effect immediately after the governor’s signature on Monday. Penalties are delayed until January 1, 2021. However, cities and towns that had an ordinance in effect prior to April 22 may continue to levy penalties for distracted driving.

**Electric Scooters**

Starting prior to session and continuing into the early part of session, the League was engaged in discussions with lobbyists for various companies that provide dockless, electric scooters for rent. The impetus for legislation on this topic, as stated by the scooter interests, was to establish a definition of “electric scooter” in state statute and a baseline of regulations for their operation in areas without any existing regulations. After several rounds of discussions, a bill was finalized earlier this session. SB 1398 miniature scooters; electric standup scooters, sponsored by Sen. Tyler Pace (R-Mesa), received final approval in the House last week and was signed by the governor this week.

The bill establishes a definition of “electric standup scooter” and grants riders the same rights, privileges and duties as bicyclists. In short, this means electric scooters must ride wherever bikes are required to operate pursuant to local regulations and allows them to be ridden on multi-use paths unless restricted by local ordinance. The bill also, consistent with the treatment of bicycles, exempts scooters from vehicle registration, insurance, and driver’s license requirements. SB 1398 also excludes electric scooters from the definition of moped, motorized skateboard, motorcycle, motor-driven cycle, motor vehicle and vehicle, and exempts riders from any helmet requirements that may apply to motorcycles and ATVs. Finally, and most importantly, the bill specifies that local governments can establish additional regulations on electric scooters.

Now that a baseline of regulations for electric scooters exists, there may be an expansion in where they are staged and operated. If your community has not already begun to discuss the regulation of scooters, now may be the time to start.
Economic Nexus/Wayfair

Last week we commented on how the League had offered an amendment to the Wayfair bill that would’ve offered certain concessions from cities and town while at the same time receiving some clarifications and assurances regarding future modifications. As recently as yesterday evening, the League received a response from the sponsor and House leadership. While the amendment does not fully satisfy our requests, we continue to engage with all parties to ensure we can come to an amicable solution on this matter.

As you engage with legislators, please reaffirm your support for the League’s proposal as outlined in emails over the past two weeks. We continue to make a concerted effort to accomplish the state’s objective of implementing Wayfair while also protecting local decision making.

Legislative Bill Monitoring

All bills being actively monitored by the League can be found here.
FOR IMMEDIATE RELEASE
FEBRUARY 11, 2019

LEAGUE OF CITIES AND TOWNS SUPPORTS ANTI-TEXTING LEGISLATION

PHOENIX – The Executive Committee of the League of Arizona Cities and Towns has voted unanimously to support the principles of SB 1165: prohibition; texting while driving, sponsored by Senator Kate Brophy McGee (R-Phoenix). Several cities and towns in Arizona have already enacted local ordinances prohibiting various uses of cell phones by drivers and this legislation would preempt those local ordinances in favor of a single statewide standard.

“Although we generally oppose state preemptions, this is an issue that truly is of statewide concern and having a single standard will make it easier for drivers to comply and assist law enforcement by having consistent rules,” said League President and Mayor of the City of Maricopa, Christian Price.

Other committee members noted that Arizona is one of only a handful of states that do not have statewide standard for texting and talking on hand held devices.

While there have been several incidents of distracted drivers being involved in traffic accidents, the tragic death of a Salt River officer on the Loop 101 who was struck by a driver who was texting added even more momentum to the effort to pass a bill this legislative session. Similar bills introduced in previous sessions have not made it through the legislative process.

This year’s bill has a number of co-sponsors including Senate President Karen Fann (R-Prescott) and House Speaker Rusty Bowers (R-Mesa) and includes legislators that have been named Legislative Friends and Champions of the League.

About the League:
The League of Arizona Cities and Towns is a voluntary association of incorporated cities and towns in the state of Arizona. It provides policy and legislative advocacy, information and inquiry services, along with publications and educational programs to strengthen the quality and efficiency of municipal government. It was founded in 1937 to serve the interests of cities and towns and to preserve the principles of home rule and local determination. For more information, visit www.azleague.org.

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Sales tax equity in Arizona

Were you aware that Arizona law currently treats out of state retailers more favorably than their in-state counterparts?

Prior to June 2018 states were precluded from imposing a sales tax on purchases made by remote (out-of-state) sellers; however, in June of last year the US Supreme Court, in South Dakota v. Wayfair overturned past Court precedent thereby allowing states to equitably tax remote sellers.

It is now time for Arizona to take action and ensure equity for our in-state retailers.

Our coalition has proposed Marketplace Facilitators; Nexus legislation that will do the following:

1. Provides long-awaited tax equity for Arizona businesses that support our community and provide jobs
2. Provides a safe harbor for small out-of-state sellers
3. Applies prospectively
4. Ensures that the City and State tax bases in the retail classification will have uniform definitions
5. Requires Marketplace Facilitators (Amazon, Walmart, Ebay, etc.) to collect and remit for 3rd party sellers
6. Builds on legislatures action on simplification when it created a single point of tax collection and administration, licensing, and auditing (DOR)
7. Removes burdens from consumers by placing TPT collection and remittance responsibility on the seller rather than requiring consumers to track and report their use tax for online purchases

Is Arizona falling behind the rest of the country?

Following the Wayfair decision 37 of the 45 states (and the District of Columbia) who have a state sales tax have taken action ensuring equitable tax treatment for in-state businesses by imposing economic nexus laws on remote sellers; **Arizona is an outlier on this issue.**

States who have taken action on economic nexus

*As of 1/8/2019*
From: Ken Strobeck  
Sent: Wednesday, April 24, 2019 9:21 AM  
To: Mayors <Mayors@azleague.org>; Managers <Managers@azleague.org>  
Cc: Intergovs <Intergovs@azleague.org>  
Subject: Wayfair Update

Mayors and Managers,

Last week, Legislative Director Nick Ponder sent out an action alert on the Wayfair legislation and the latest developments regarding the bill. As the prior email highlighted, negotiations were happening behind closed doors and the League had been excluded from those meetings as certain special interests (ATRA, ALEC, NetChoice, etc.) convinced Representative Toma to include the retail section of the Model City Tax Code in state statute.

We do appreciate all the calls made by mayors and other city officials this past week and a half.

While those calls were effective in giving legislators concern about voting for a bill including the MCTC, some of those members were uneasy with opposing legislation that would generate $80-100M in revenue for the state. The reason for that is some are looking to use the revenue from Wayfair to account for income tax conformity and/or a reduction in the Highway Safety Fee passed last year.

In judging the politics on these issues as well as opportunities for the League to resolve this issue and generate good favor with legislators while at the same time securing what we thought was lost revenue for some rural communities and protecting 20 classes in the MCTC, the League developed a proposal for legislators.

The proposal is as follows:

1. The League will agree to place ONLY the retail section of the MCTC in state statute (this agreement will have no practical impact going forward because we were forced to conform the retail section of the MCTC to the state in order to implement Wayfair and that was done at the Municipal Tax Code Commission on 2/22)
2. Intent language or a separate agreement that establishes a 7-year moratorium from ATRA, the business community, and legislators on attacks on the MCTC (no placing other sections of the MCTC in statute), preserving the 20 classes we have control over after Wayfair passed
3. Bill will create a “toggle” that will permit cities to tax feed sold at feed stores
4. Bill will create a “toggle” that will permit cities to tax textbooks sold at college bookstores
5. Bill will create a “toggle” that will permit cities to tax food for home consumption
6. Bill will remove language saying retail is of “statewide concern”, language legislators use to sue cities through 1487
7. Bill will clarify that cities can maintain their tiered tax rates
8. Other technical changes

Last week, we discussed this proposal with the League Officers. While there was initial resistance because of the importance of the MCTC and the feeling that this could be a “camel’s nose under the tent” issue, the Officers understood that a moratorium would give the League the opportunity to strengthen the remaining local elements unique to the MCTC and continue to message its importance to legislators. The Officers then voted unanimously to approve the proposal and allowed the League to present this option to legislators.
League staff has presented this option to key members in leadership in both chambers and all parties expressed general support for the idea and significant appreciation for the League’s willingness to come to the table with an alternative that could get all parties to “YES” on this issue. They agreed to the “toggle” requests as mentioned above and on other terms there was a general understanding of an agreement; however, the fine details are still to be worked out over the next few weeks.

We continue to work through the details, but we believe this as the best alternative to protect 20 classes in the MCTC which generate in excess of $500M annually in local revenues while also preserving specific feed revenue for rural communities.

Please do not hesitate to reach out to us with any questions or comments and thank you again for your interest and involvement.

Ken

Ken Strobeck
Executive Director
League of Arizona Cities and Towns
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WHAT IS THE MODEL CITY TAX CODE (MCTC)?

Established by cities and towns in 1987 and later codified by the legislature, the Model City Tax Code is a mechanism by which cities and towns can adjust their tax base based upon the local economy and needs of that respective city or town.

Cities and towns cannot impose an income tax and have low property taxes thereby cementing their reliance on local retail taxes and additional tax classifications unique to cities and towns including speculative builder, residential rental, commercial lease, food for home consumption and advertising.

The MCTC is administered by the Municipal Tax Code Commission (MTCC), which consists of nine mayors or councilmembers of cities or towns appointed by the Governor, Speaker of the House and Senate President. Regular meetings are scheduled six times a year and are open to the public. The Department of Revenue maintains the official copy of the MCTC at modelcitytaxcode.az.gov.

$500M

generated in city and town revenues annually

> 50%

average amount of local budgets spent on public safety

THE MODEL CITY TAX CODE...

DOES:
- Provide stability for city/town budgets by protecting the tax base against newly-created exemptions
- Allow for customization based on the local economy, i.e. tourism communities
- Require all local tax changes to be approved by an audit committee and the MTCC before going into effect

DOES NOT:
- Require tax remittance to individual cities/towns, all taxes are remitted to ADOR
- Inhibit Arizona’s ability to comply with Wayfair. Many other states with local differences have already acted to follow Wayfair.

NOTE: League has accepted Wayfair language saying “for remote sellers if there is a discrepancy between statute and the MCTC, state statute prevails”
What was the stated goal of the 2017 Ad Hoc Committee on Digital Goods and Services?

In 2017 an ad hoc joint committee was convened to discuss the topic of digital goods and services.

The stated goal of the committee was to identify which digital goods and services were taxable and non-taxable under Arizona law. Senator Ugenti-Rita (Co-Chair) indicated she wanted provide “clarity, uniformity, and accountability” to taxpayers while Senator Farnsworth (Co-Chair) indicated a desire to find clarity in a “revenue neutral” manner.

The League of Arizona Cities and Towns, Arizona Department of Revenue (ADoR), Arizona Tax Research Association, and many tax experts participated in those discussions.

What does SB1460 do?

Contrary to the stated objectives of the ad hoc committee, SB1460 would result in less clarity and uniformity while also establishing an exemption for certain software products based solely on how they’re delivered to the consumer.

SB1460 codifies in law certain pre-written software as taxable as well as certain specified digital goods (movies, books, music, photos, etc.) while also providing exemptions for pre-written software products accessible through cloud computing by classifying those products as services.

This bill actually creates significant confusion by tying the taxability to either the delivery of the product or whether a license (typically used to indemnify the company and provide legal language prohibiting copying software) was provided to the consumer.

Does state law currently allow the taxation of Digital Goods and Services?

Yes. The Arizona Legislature has given the ADoR the authority to determine a transactions taxability via taxpayer rulings on any transaction, including transactions involving new technologies.

The statute governing ADoR’s authority, A.R.S. § 42-2101 reads:

A. The department may issue private taxpayer rulings to taxpayers and potential taxpayers on request.

M. For the purposes of this section:

I. “Private taxpayer ruling” means a written determination by the department issued on or after September 21, 1991 that interprets and applies one or more statutes contained in this title or title 43 and any applicable administrative rules that the department has adopted to the specific prospective facts described in the request for a private taxpayer ruling.

It has never been the practice in tax policy or by the legislature to enshrine every new type of technology into law. When new technologies arise the legislature has designated the ADoR with the authority to determine whether a new technology is a retail product, rental of tangible personal property, or a service.

Although statute does not currently reference digital goods and services in 1993 ADoR issued Taxpayer Ruling 93-48, as authorized by the legislature, wherein they ruled “the sale of ‘canned or pre-written computer software’ is considered to be a sale of tangible personal property subject to tax under the retail classification.”

More specifically, it is not the practice for the legislature to identify in statute each item taxable under the retail classification, including new technologies. Instead it is ONLY the practice for the legislature to enshrine exemptions in statute.

By-and-large, digital goods and services are nothing more than pre-written software, that can be measured and are perceptible to the senses, and therefore are subject to retail tax or, if obtained via cloud based means, taxable under rental of tangible personal property.
**What is “Software as a Service” (SaaS)?**

According to Salesforce, a pioneer in SaaS and one of the world’s largest SaaS companies, SaaS is a distribution model for software, whereby instead of downloading the software to run locally on your PC, the program is hosted by a third-party provider, and then accessed by users over the internet, typically through a web browser interface.

The delivery mechanism for the software does not alter the nature of the product nor its taxability. Whether a piece of software is accessed via the cloud or downloaded and stored on a PC, that software remains nothing more than a product.

Some examples of SaaS are Salesforce, Slack, Google Suite, Dropbox, Office 365, Zendesk, etc.

**By creating a new exemption for SaaS, what will be the revenue decrement to the state, cities, counties, and Proposition 301?**

Although we cannot determine exact revenue losses the data provided by the industry indicates the loss will be substantial.

As industry experts have highlighted, SaaS is the largest and fastest growing sector of digital products.

SaaS is expected to represent $76B in global revenue by 2020 with more than 73% of businesses indicating most of their software will be SaaS by 2020, growing to 86% of businesses by 2022.

**Is SaaS currently taxable?**

Yes. ADoR Taxpayer Ruling 93-48 indicates that canned or pre-written software is taxable and custom software is not taxable.

**The industry calls themselves a service, why are we taxing services?**

While SaaS suggests that it is a “service” in its name there is nothing about SaaS that makes it a service. We do not tax items based on what they are called. Instead, we tax items based on the nature of the product or the business.

A service is someone doing something for you or your business such as creating custom software, preparing taxes, providing legal services, or dry cleaning one’s clothes.

While there may be maintenance of or updates to software under SaaS, just as employees maintain traditional retail stores, the actual maintenance is de minimis because the focus of the purchase is the product itself.

According to TaxJar, a leading technology solution for eCommerce sellers to manage sales tax, Arizona is recognized as one of 17 states that currently tax SaaS.

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**In Which States is SaaS Taxable?**

![Map of states where SaaS is taxable](image-url)
LEAGUE OF ARIZONA CITIES AND TOWNS RESPONSE TO ARIZONA DEPARTMENT OF REVENUE FISCAL IMPACT ANALYSIS ON SB1460

The League of Arizona Cities and Towns appreciates the effort put forward by the Arizona Department of Revenue (Department) to determine the fiscal impact to the state if the legislature were to pass SB1460 in its current form. While the Department limited its analysis to the state, retail and rental of tangible personal property taxes also apply to cities and towns, counties, and education resulting in commensurate losses.

Early in the session many parties suggested SB1460 would not have a negative fiscal impact on the state, cities and towns, and education. The numbers provided today by the Department, although lower than the estimate provided by the League, corroborate our long-held view that this year’s fiscal impact is substantial.

In the Department’s analysis, they indicate they based their revenue impact calculation and assumptions on “the intent of the bill as described by its proponents to the Department” determining the impact to state revenue was $33.1M. The analysis was based on identifying keywords in the business description as provided by taxpayers on their TPT application. Revenue from those taxpayers was then placed in six categories – totaling $71.3M in FY2018 – and the Department attempted to determine what portion of those revenues would become exempt under the proponents’ stated intent of the bill. Any variation in that judgement would substantially change the impact to the state. For example, in the category “software products,” described as prewritten computer software and SaaS products, the general fund received $31.6M in FY2018. The Department estimates 60% of “software products” remains taxable and 40% would become exempt, resulting in a loss of $12.6M. If this assumption is reversed the loss to the state in that category jumps to $19M. **The Department states their estimate is “sensitive to an increased revenue loss if the stated intent is not sufficiently reflected in the text of the bill and/or ADOR assumptions about the taxability of certain businesses’ products is overstated.”**

In other words, since the Department’s estimate is based on the proponents’ description of what the bill does rather than the actual text of the bill, it is likely the true impact of SB1460 is considerably greater than the $33.1M calculated by the Department under these constraints.

The Department went through an extensive analysis of the 2018 digital goods bill (HB2479) and concluded, as the League indicated last year, that HB2479 created eight new exemptions by defining currently taxed products as digital services. The League determined in 2018 that the total impact to the state by creating eight new exemptions would amount to $121M and grow in future years. **In analyzing this year’s bill, the Department determined SB1460 “will likely include everything that was specifically included in the definition of digital services in HB2479” thereby suggesting the true fiscal impact of SB1460 is closer to the numbers provided by the League in 2018.**

The League has consistently stated our belief that the plain language of SB1460 does not match the stated intent of the proponents’, thereby creating ambiguity rather than clarity. **The Department states “the bill cannot be technically implemented without critical amendments being made.”**

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1 SB1460, Arizona Department of Revenue 2019 Fiscal Analysis, page 3
2 Department of Revenue, Comparison of SB1460 with House Engrossed HB2479, page 5
3 SB1460, Arizona Department of Revenue 2019 Fiscal Analysis, page 1
CONCLUSION

While the League welcomes the Department’s effort to provide a fiscal impact to a very complex set of circumstances it is our belief that the numbers provided by the Department are significantly understated due the constraint of analyzing SB1460 solely based on the description of its intent provided by the proponents.

The Departments numbers validate our numerous statements indicating SB1460 lacked clarity and would result in a significant fiscal impact to the state, cities and towns, and education. The ambiguity in the text of the bill will undoubtedly result in a proliferation of lawsuits as untold numbers of taxpayers’ appeal for refunds by identifying themselves as a digital service under the vague definition in SB1460.

Whether legislators choose to rely upon numbers provided by the Department, the League, or some midpoint of the two one thing is abundantly clear, the products in question (1) are currently taxable, (2), exempting these products would result in a significant revenue loss for the state, and (3) utilization of SaaS and cloud storage is the fastest growing area of digital products resulting in increasing losses in future years.

Finally, as a policy issue, Cities and Towns believe it is unsound tax policy to determine a products taxability based on the business model, technology, or delivery method used by the company rather than the product itself.

Table 1

![Companies will be running purely on SaaS soon.](image)

73% of organizations say nearly all their apps will be SaaS by 2020.

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*Table 1*
Department of Revenue says digital taxation bill will cost Arizona millions

By Jeremy Duda - March 19, 2019

The Arizona Department of Revenue determined that legislation to exempt certain digital goods and services from sales taxes could cost the state at least $33 million in 2020, an analysis that could help the bill's opponents keep it from moving forward in the Senate.

Currently, the state collects sales taxes on a host of digital services under a policy that some critics say is vague and unclear about which goods and services should be subject to taxation. Senate Bill 1460 would explicitly outline which of those digital goods can be taxed.

The legislation, sponsored by Sen. Michelle Ugenti-Rita, R-Scottsdale, would apply sales taxes to downloaded software; digital books, movies and music; and streaming services such as Netflix and Amazon Prime.

A handful of products that the Department of Revenue currently taxes would be exempted under the bill. Exempted items would include things like cloud computing and storage, and services that provide users with access to software or other programs, but don’t give them exclusive control of the programs, such as the accounting program Quickbooks Online or the web conference program Citrix GoToMeeting. Such programs are often known by the acronym SaaS, which stands for “software-as-a-service.”

According to the Department of Revenue’s analysis, exempting those items from sales tax would cost the state an estimated $33.1 million in 2020. The agency said there’s a possibility that the bill would lead to an “intermediate” reduction in corporate income tax revenue.

To print the document, click the “Original Document” link to open the original PDF. At this time it is not possible to print the document with annotations.
Ugenti-Rita told *Arizona Mirror* that the revenue isn’t the most important issue, and declined to speculate on what effect the agency’s analysis would have on her effort to find the votes needed for her bill to pass. The issue, she said, is that she believes the Department of Revenue lacks statutory authority to impose such taxes without legislative authorization.

“These are ill-gotten gains. This is money that the state should not be collecting. I am so tired of this idea that, because we’re used to collecting money we’re not supposed to, that’s a credible argument against the reform. I don’t care how much money we’re collecting. If we’re not doing it legally, that has to change,” Ugenti-Rita said.

Ugent-Rita said she’s close to having the 16 votes she needs, but is still a few shy. While her preference is to put the bill up for a vote regardless, she said Senate President Karen Fann doesn’t want to bring it to the floor until she has secured the needed votes.

The deadline for the bill to be heard in a House committee is March 29, meaning the Senate must pass it and send it over to the House with enough time for that to happen.

Fann, R-Prescott, said she needs senators to take a look at the Department of Revenue’s analysis and determine whether they’re comfortable with the bill.

"We're still working on it. I’m hoping maybe that we can try and get it up if the votes are there," Fann said. "I hate to put something up there if we know for a fact it’s not going to pass."

Fann noted that the Department of Revenue raised some concerns with SB1460 in its analysis. The agency wrote that its analysis relies heavily on the stated intent of the legislation, and that the only way to determine the bill's fiscal impact is to "make assumptions about interpretation and intent." And the agency wrote that it won’t be able to implement the bill "without critical amendments being made."

Ugenti-Rita said she’s working on an amendment to address the Department of Revenue’s concerns.

Software-as-a-service and similar services like cloud computing are the main sticking point for both sides, said Nick Ponder, the lobbyist for the League of Arizona Cities and Towns. He said the use of software-as-a-service and cloud computing is growing steadily.

"I think the line in the sand that neither party is willing to cross is they want an exemption for software-as-a-service and cloud storage, and we don’t think that the state should give that away," he said.

Ponder rejected the notion that the Department of Revenue is currently collecting taxes without legislative authority, saying the agency’s decisions are guided by pre-existing statutory guidance. State law applies sales taxes to goods that can be “seen, weighed, measured, felt or touched or is in any other manner perceptible to the senses,” and Ponder said the agency’s job is to determine which legal classifications digital goods fall under.

By showing that the bill will cost the state tax revenue, Ponder said the Department of Revenue analysis will help keep the bill from advancing. He said he believes Ugenti-Rita won’t be able to win over Republican holdouts, making SB1460 dead for the 2019 legislative session.

The League of Arizona Cities and Towns argues that the Department of Revenue’s estimate is low, and that the actual loss to the state will be about $65 million. And the agency’s estimate doesn’t include tax revenue that cities and towns would lose, which the League estimates to be nearly $27 million.

Meanwhile, the Joint Legislative Budget Committee concluded in February that there's no way to determine what kind of fiscal impact SB1460 would have.

The Arizona Tax Research Association, which is urging Fann to bring SB1460 to the floor, took issue with the Department of Revenue’s fiscal analysis.

Sean McCarthy, an analyst with ATRA, said because current law is unclear about what should and shouldn’t be subject to sales tax, many companies aren’t paying the taxes that the state is imposing. By eliminating that uncertainty for the items that will be subject to sales tax, McCarthy argued that Ugenti-Rita’s bill could generate new tax revenues that would offset the losses calculated by the Department of Revenue.

McCarthy said there’s no way to really quantify that figure.
"They don't know what they don't know," he said.

SB1460 would help resolve several ongoing lawsuits. In February, Netflix sued the state over the Department of Revenue’s policy of imposing sales tax on streaming services. An administrative law judge ruled in the department’s favor on the matter in October. The website hosting company GoDaddy and payroll services company ADP are also suing the Department of Revenue.

If the bill doesn’t pass and Netflix prevails in its lawsuit, McCarthy said the state will lose around $70 million in annual sales tax revenue from streaming services, a significantly bigger loss than the Department of Revenue estimates the state would realize from the passage of SB1460.

“It’s just a matter of deciding who’s going to sort it out – the Legislature or the courts,” Ugenti-Rita said.

This isn’t Ugenti-Rita’s first attempt to resolve the complex issue of taxation of digital goods. In 2018, she ran similar but more far-reaching legislation, House Bill 2479. Among the differences were that the 2018 bill did not tax streaming services. The House of Representatives passed the bill last year, but it died without getting a hearing in the Senate Appropriations Committee.
OPINION

Senate Bill 1460 will make a mess of online sales in Arizona

Peter Burns and Ted Ferris, opinion contributors

Published 6:00 a.m. MT March 14, 2019 | Updated 8:19 a.m. MT March 14, 2019

Opinion: An Arizona bill that would create a sales tax classification for 'digital goods' is filled with ambiguity and unintended consequences.

As budget directors during multiple gubernatorial administrations, we know firsthand that phrases, words and definitions matter. When it comes to creating realistic budgets, reliable forecasts of income are key. Nothing is more damaging than the unintended consequence.

A bill at the Legislature that seeks to define and create a sales tax classification of digital goods lurches down that dangerous territory.

Advocates of Senate Bill 1460 say the legislation simply provides “clarity,” but the fact is that it’s anything but clarifying.

The most likely effect of the bill is a widening revenue loss — the significance of which is unknown. The fiscal note from Joint Legislative Budget Committee for the legislation declined to provide an estimate, citing the lack of data on taxes collected from these sales.

How will it impact revenue? Don't know

The Legislature is flying blind, considering changes to the tax law for which lawmakers have no concrete idea of the fiscal impact. The revenue loss is difficult to pinpoint, but rest assured, as more and more companies continue to digitize their products and services, the legislation would blow a hole on state and local revenues.

SB 1460 suffers from a lack of uniformity and clarity that could lead to the unintentional exemption of many other taxable items. It defines and creates a sales tax classification of “digital goods” that is
composed of “prewritten computer software” and “specified digital goods.” At the same time, the classification excludes – and therefore exempts from taxation – “digital services.”

**ROBERTS IN 2018:** [Arizona may cut taxes (again)]

It is important to note that all three of these activities are subject to taxation under the current retail sales or rental of tangible personal property classification.

Cloud-based delivery, which delivers software, storage and security solutions for American businesses and households, is the fastest-growing element of the digital economy. Take Amazon Web Services, for example. It accounts for nearly 15 percent of Amazon’s revenue and more than half of the tech giant’s profits. This bill appears to codify that “cloud computing” would be outside the reach of state and local taxation in Arizona.

The traditional definition of “digital goods” includes streaming media and internet radio, but this legislation does not specifically mention streaming. This raises the question as to whether streaming is part of the “digital services” — and therefore not subject to tax. This lack of clarity is an open invitation to be sued by anyone wishing to avoid taxation.

**SB 1460 is just inviting a lawsuit**

The legislation’s vague definitions also plunge items like software downloads into a legislative no man’s land. The result is, the taxability of an item may be based solely on how the product is obtained.

Since the legislation’s definition of the exempt digital services includes “remotely accessed software,” “prewritten computer software” contained on a disc or thumb drive and purchased in a store is taxable while that same software bought and downloaded off the internet is exempt. The definitions are so vague that even software accessed through the internet (again, through cloud-based web delivery from an increasing number of cloud-computing companies) is tax exempt, because it is “remotely accessed.”

This legislation is a poorly crafted policy concept which will inevitably result in litigation, continued uncertainty about Arizona’s tax code and a substantial loss of revenue to public education, public safety and the myriad of other obligations the state and local governments must pay for.

Go back to the drawing board on SB 1460 — it is bad policy for Arizona.

*Peter Burns served as state budget director and a senior adviser for three governors. Ted Ferris served as deputy chief of staff to Gov. Jane Hull and director of the Joint Legislative Budget Committee. Reach them at pjburnsaz@gmail.com and tff@tedferrisconsulting.com.*
This bill would raise age to buy tobacco in Arizona. Some say it would set back fight against smoking

Dianna M. Náñez, Arizona Republic

Published 12:29 p.m. MT April 29, 2019 | Updated 12:54 p.m. MT April 29, 2019

Arizona legislation backed by the nation’s biggest cigarette maker and e-cigarette giant Juul would raise to 21 the legal age to purchase tobacco, but opponents say the measure favors the tobacco industry and would set the fight against smoking and cancer back decades.

Supporters call the proposal, backed by the parent company of Philip Morris USA, a compromise and credit the industry for getting ahead of efforts to further regulate e-cigarette use and tobacco. The measure would establish fines for violating the law.

But some lawmakers and health advocates are sounding the alarm because Senate Bill 1147 would also sidestep efforts to define e-cigarettes as tobacco while limiting authority to regulate tobacco to the state, overturning city ordinances banning second-hand smoke in public places and restricting tobacco marketing and accessibility to kids.

Arizona's cigarette tax of $2 a pack is relatively high nationally.
(Photo: AFP/Getty Images)

These critics say the bill is reminiscent of the disingenuous tactics that hooked generations on nicotine and cost the tobacco industry billions in settlements. And they say the measure would decimate decades of public health efforts across Arizona to curb nicotine addiction and prevent smoking-related cancer.

Philip Morris USA is pushing similar legislation in Congress and statehouses across the nation.

"Why would anybody accept a solution to the health crisis we are facing from the very industry that caused the crisis?" said Sen. Heather Carter, R-Cave Creek, who pushed separate legislation to restrict tobacco and e-cigarette usage. "They did this with cigarettes and now they think they can do this with e-cigarettes."

The bill would remove all city-designated smoke-free areas in or near public buildings and facilities such as government offices, parks, public stadiums and public transportation, according to a review by the League of Arizona Cities and Towns.
That would conflict with the 2006 Smoke-free Arizona Act, a citizens initiative that established smoke-free zones with 20-foot boundaries from most public places and places of employment, but allows cities to have more restrictive local regulations regarding the use of tobacco in certain areas.

Measures that remove local governments' ability to regulate businesses and other activities are known as preemption legislation.

SB1147 would preempt local ordinances by:

- Voiding Phoenix, Tempe and other cities' zoning boundaries for tobacco retailers that prohibit the sale of tobacco products within 1,320 ft of a school, park, day care facility, among others public places.
- Removing local prohibitions on tobacco marketing and advertisements on or near public property, such as near schools, bus stops, park benches.
- Eliminating licensing requirements for retail tobacco establishments. Tucson's mandate, which has been in effect for 20 years, requiring a license for tobacco shops would be eliminated.
- Allowing tobacco vending machines in liquor stores where minors can enter without anyone verifying their age. Currently, some cities only allow vending machines in bars that ID customers to ensure they’re 21 and specialty clubs that require membership.

'Tobacco 21'

The American Heart Association, American Cancer Society and other public health organizations have long advocated to raise the age to purchase tobacco to 21 from 18 amid a spike in e-cigarette usage by teens. Advocates behind the efforts known as “Tobacco 21,” or T21, cite data showing most adults addicted to nicotine started using tobacco products when they were under 21.

E-cigarettes are also called E-cigs, vapes, e-hookahs, vape pens or electronic nicotine delivery systems. E-cigarettes can contain harmful substances, including nicotine, cancer-causing chemicals, heavy metals like lead and volatile organic compounds, according to the CDC.

A man holds an electronic cigarette. (Photo: Getty Images/iStockphoto)

The CDC has said e-cigarettes may benefit some adults if used to completely replace regular cigarettes or other smoked tobacco products. But the CDC says on its website that "E-cigarettes are not safe for youth, young adults, pregnant women, or adults who do not currently use tobacco products."

In March, e-cigarette giant Juul Labs announced its own national campaign with ads in 23 states and Washington, D.C., to push legislation that would also raise the purchase age of tobacco to 21.

But the motives for Juul's effort to raise the tobacco age to 21 have been called into question because E-cigarette industry interests are now aligned with Big Tobacco. In December, Altria, parent company of Philip Morris, in December paid $12.8 billion for a 35 percent stake in Juul.
The cigarette company, which for years denied smoking contributes to lung cancer and other deadly diseases, touted the purchase as a "truly historic opportunity to improve the lives of the world’s one billion adult cigarette smokers" with nicotine products that have the "potential to reduce harm" caused by tobacco.

Carter isn’t buying it.

"The bill is a Big Tobacco bill, what I now call Big Vape," she said. "It’s the same old playbook they used to advance tobacco. If they support T21, why didn't they support my T21? I had a clean T21 bill. So the only one way they want to support T21 is if they get preemption that takes the state of Arizona back by decades?"

The E-cig bill Big Tobacco, Juul didn't back

Carter in February sponsored Senate Bill 1009, which would have defined and regulated e-cigarettes and vaping products like tobacco. It passed the Senate unanimously.

She backed another bill to included vaping products in the state smoke-free statutes and introduced a separate bill to raise the age to purchase tobacco and vaping products to 21.

But Carter’s T21 bill never moved out of the Senate. And SB1009, redefining tobacco to include e-cigarettes, stalled in the House Health and Human Services Committee, after its chair Rep. Nancy Barto, R-Phoenix, held the measure. Barto allowed a weaker version with the support of the tobacco and e-cigarette industry to be heard over opposition from school superintendents who had supported SB1009.

Sen. Heather Carter. (Photo: Michael Chow/The Republic)

Rep. John Allen, R-Scottsdale, introduced the current version of SB 1147 as a "striker" or "strike everything" amendment. A striker amendment removes a bill’s original language — in this case legislation about municipal economic development — and replaces it with new language on an unrelated topic.

Democrats at the hearing balked at the bill.

“"The bill is a smoke-and-mirrors mess to take away the ability of cities and towns to control and regulate the way that tobacco and vape products are sold and marketed to people in cities and towns," said Rep. Kelli Butler, D-Phoenix in an interview with The Arizona Republic last week, adding that Carter’s bill came to the committee with bipartisan support.

Lobbyists for Juul Labs and Altria, as well as vaping and cigarette retailers and associations registered their support SB1147. The e-cigarette and tobacco giant had not registered support for Carter’s bill, which unlike Allen’s SB 1147, included the change to define e-cigarettes as tobacco products and would not have stripped municipalities' authority to regulate tobacco.
Allen did not return The Republic’s request for comment on the SB 1147. At the hearing, he said the bill would benefit the industry as well as advocates for limiting tobacco use.

“This is a compromise where the industry itself has said, ‘We see the writing on the wall. Eventually, the feds I think are going to come in and make this 21. Let’s do it proactively. Let’s set up a system which the state can do that’s consistent, that serves the needs of the purchaser of these materials but also gives protections to our schools,’” he said.

But Tom Savage, legislative director for the League of Arizona Cities and Towns, said the bill "flies in the face" of the 2006 Smoke-Free Arizona Act, which "the public voted to allow the cities to establish further regulations than what the bill did."

Savage called the bill disingenuous.

"If the intent is T21, you can still have that without preemption local control," he said. "No matter how far you narrow down that preemption language, it’s tying the hands of city councils who are approached by citizens who want to limit the use and sale of tobacco."

'An epidemic of e-cigarette use among teenagers'

The Food and Drug Administration has targeted the e-cigarette industry to stop teens from vaping. The FDA efforts include warning manufacturers against selling e-cigarettes in packaging that resembles candy.

After the FDA demanded last year that Juul limit its marketing and research techniques targeting youth, the company shut down its Facebook and Instagram accounts and stopped selling flavored pods at retail sites. A 2019 Stanford University School of Medicine study into the impact of tobacco advertising found that the company’s massive social-media campaigns, using hashtags and popular "influencers," were "patently youth oriented" and "widely distributed on social media channels frequented by youth."

A juul device often used for smoking THC (Photo: Furnished)

FDA Commissioner Dr. Scott Gottlieb, who resigned in April, said in a 2018 statement addressing e-cigarettes that officials "didn't predict what I now believe is an epidemic of e-cigarette use among teenagers."

“The disturbing and accelerating trajectory of use we’re seeing in youth, and the resulting path to addiction, must end," he said. "...I’ll be clear. The FDA won’t tolerate a whole generation of young people becoming addicted to nicotine as a tradeoff for enabling adults to have unfettered access to these same products."

The 2018 National Youth Tobacco Survey showed a nearly 80 percent increase to 3 million in current e-cigarette use by high-school teens compared with the prior year and a nearly 50 percent, to 570,000, increase for middle-school children.
The survey cited research showing that youth who use e-cigarettes are more likely to transition to conventional cigarettes, "risking a lifetime of addiction to smoking and resulting smoking-attributable disease."

'I could not stop'

Retailers of e-cigarettes attended the March hearing to support SB 1147. Amanda Wheeler, a cancer survivor who owns Jvapes E-Liquid in Prescott, said she started smoking when she was 15.

“'I could not stop,'” she said, even after trying nicotine-cessation products.

Wheeler said vaping helped her quit regular cigarettes. The mother of two said her business checks IDs for purchases to limit youth access to tobacco and nicotine.

But health organizations, several of which backed Carter’s bill, said SB1147 gives the tobacco and nicotine industry a pass and ignores the will of Arizonans who voted for initiatives to create smoke-free communities.

"'With a swipe of a pen, we’re seeing 30 years of work to stop tobacco use, not only across the state of Arizona, but across the United States, would be eliminated,'” said Dr. Jacob Chavez, a board member of the Greater Phoenix Division of the American Heart Association and former superintendent of the Cartwright School District.

Chavez said sidelining an alternative bill that would’ve targeted e-cigarettes for one backed by the tobacco and vaping industry makes no sense.

"E-cigarettes need to be regulated just as tobacco products are," he said. "Children don’t look at it as a tobacco product, which it is. It’s extremely startling — the increase that we’ve seen in e-cigarette use in the schools is over 200 percent."

Chavez said the data is based on confiscation in nicotine and tobacco products in Arizona schools over the past five years.

Nicole Olmstead, government relations director for the greater-Phoenix American Heart Association, said SB1147 is similar to legislation across the U.S., including in South Carolina and Virginia, "where Juul Labs and Altria are helping push the way."

"'It’s being done as giving us Tobacco 21, but under the guise of giving us Tobacco 21, they’re sliding in preemption to make sure local municipalities can no longer regulate tobacco as they and their residents see fit,'” she said.

Olmstead said health-care organizations, education leaders and parent groups have united against the bills to fight lobbying campaigns that benefit the U.S. tobacco industry.

"'We shouldn’t be trusting an industry that has court settlements against it for knowing about and hiding the negative effects of their products,'” she said.

Residents in cities like Tempe that have prioritized ending tobacco use by children and limiting second-hand smoke are worried lawmakers are choosing Big Tobacco over Arizona voters.

Genevieve Vega’s stepfather recently had quintuple bypass surgery, after years of smoking, after years of his children and grandchildren pleading with him to stop the addiction. A lifetime of smoking,
she said, made it tough for him to quit. Vega, a mother of children in Tempe high and elementary schools, doesn’t want today’s kids to face the same addiction to e-cigarettes.

“I consider, personally, vaping to be rolled right into smoking,” Vega said. “When things are flavored in a sweet way that to me is parallel to the Joe Camel ads selling smoking when I was a kid. It makes it cooler and more fun. I see that as potentially harmful to kids and young people’s developing brains.”

Vega said special interest groups, lobbyists and billion-dollar industries have too much influence on Arizona laws and lawmakers. She’d like to see each Arizona bill include a transparency mechanism that would track money and any gifts or gains for its political supporters as bills move through the legislature.

Carter said the public-health fight against Big Tobacco and the e-cigarette industry is far from over.

“I am vehemently opposed to them subjecting the next generation to the same health crisis that we saw with tobacco,” she said. “They’re adding new lobbyists every day. They are out there at the capitol. They are lobbying up across the country and in Arizona.”

Center for Public Integrity reporter Liz Whyte contributed to this article
Agenda Item #3  League Budget for 2019-2020

Summary:  The proposed budget for the League for the upcoming fiscal year, as recommended by the Budget Subcommittee, is presented for your review and approval.

Responsible Person:  Mayor Thomas Schoaf, Budget Subcommittee Chairman; Ken Strobeck

Attachments:  FY 2019-2020 Recommended Budget and Budget Narrative

Action Requested:  Approval
## 2019-2020 League Budget

### PROPOSED

#### REVENUES

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<td>Adopted at Feb 8, 2019 Exec Com meeting.</td>
</tr>
<tr>
<td>Interest</td>
<td>25,000</td>
<td>54,904</td>
<td>29,904</td>
<td>50,000</td>
<td>100.0%</td>
<td>1.7%</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>11,000</td>
<td>13,843</td>
<td>2,843</td>
<td>13,000</td>
<td>18.2%</td>
<td>0.5%</td>
<td>Includes publication sales &amp; job postings.</td>
</tr>
<tr>
<td>Partnership Programs</td>
<td>67,500</td>
<td>67,995</td>
<td>495</td>
<td>67,500</td>
<td>0.0%</td>
<td>2.3%</td>
<td></td>
</tr>
<tr>
<td>Risk Pool</td>
<td>151,000</td>
<td>155,769</td>
<td>4,769</td>
<td>156,000</td>
<td>3.3%</td>
<td>5.4%</td>
<td></td>
</tr>
<tr>
<td>Seminars and Meetings</td>
<td>30,000</td>
<td>39,145</td>
<td>9,145</td>
<td>38,000</td>
<td>26.7%</td>
<td>1.3%</td>
<td></td>
</tr>
<tr>
<td>TOTAL REVENUES</td>
<td>$2,878,891</td>
<td>$2,884,172</td>
<td>$5,281</td>
<td>$2,883,316</td>
<td>0.2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### EXPENDITURES

<table>
<thead>
<tr>
<th></th>
<th>Budget FY 2019</th>
<th>Expected FY 2019</th>
<th>Over / Under</th>
<th>PROPOSED FY 2020</th>
<th>% Change</th>
<th>% of Total Budget</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Conference</td>
<td>230,000</td>
<td>330,712</td>
<td>100,712</td>
<td>230,000</td>
<td>0.0%</td>
<td>8.0%</td>
<td>Includes full staff with benefits. Estimate 12% increase to UHC premiums (eff. 10/2019). Estimate 3% increase to dental premiums (eff. 5/2019).</td>
</tr>
<tr>
<td>Benefits</td>
<td>550,000</td>
<td>521,787</td>
<td>(28,213)</td>
<td>551,000</td>
<td>0.2%</td>
<td>19.2%</td>
<td></td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>20,000</td>
<td>12,096</td>
<td>(7,904)</td>
<td>18,000</td>
<td>-10.0%</td>
<td>0.6%</td>
<td></td>
</tr>
<tr>
<td>Equipment Rental &amp; Maintenance</td>
<td>14,000</td>
<td>11,773</td>
<td>(2,227)</td>
<td>12,000</td>
<td>-14.3%</td>
<td>0.4%</td>
<td></td>
</tr>
<tr>
<td>Executive Committee</td>
<td>8,000</td>
<td>7,908</td>
<td>(92)</td>
<td>8,000</td>
<td>0.0%</td>
<td>0.3%</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>8,000</td>
<td>7,676</td>
<td>(324)</td>
<td>8,000</td>
<td>0.0%</td>
<td>0.3%</td>
<td></td>
</tr>
<tr>
<td>Postage &amp; Shipping</td>
<td>6,000</td>
<td>5,427</td>
<td>(573)</td>
<td>6,000</td>
<td>0.0%</td>
<td>0.2%</td>
<td></td>
</tr>
<tr>
<td>PR &amp; Communications</td>
<td>74,000</td>
<td>59,105</td>
<td>(14,895)</td>
<td>68,000</td>
<td>-8.1%</td>
<td>2.4%</td>
<td></td>
</tr>
<tr>
<td>Printing</td>
<td>10,000</td>
<td>9,190</td>
<td>(810)</td>
<td>10,000</td>
<td>0.0%</td>
<td>0.3%</td>
<td>Includes directory, MPS, calendar &amp; legis poster services.</td>
</tr>
<tr>
<td>Professional Services</td>
<td>183,000</td>
<td>192,495</td>
<td>9,495</td>
<td>198,000</td>
<td>8.2%</td>
<td>6.9%</td>
<td></td>
</tr>
<tr>
<td>Accounting</td>
<td>48,000</td>
<td>46,945</td>
<td>(1,055)</td>
<td>48,000</td>
<td>0.0%</td>
<td>1.7%</td>
<td>Includes audit &amp; accountant services.</td>
</tr>
<tr>
<td>Contract Lobbying &amp; Consulting Svcs</td>
<td>100,000</td>
<td>140,800</td>
<td>40,800</td>
<td>130,000</td>
<td>30.0%</td>
<td>4.5%</td>
<td>Includes HighGround ($96,000); added $30,000 for other consulting services.</td>
</tr>
<tr>
<td>Legal</td>
<td>35,000</td>
<td>4,750</td>
<td>(30,250)</td>
<td>20,000</td>
<td>-42.9%</td>
<td>0.7%</td>
<td></td>
</tr>
<tr>
<td>Prop Corp - Building Improvement Fund</td>
<td>10,000</td>
<td>10,000</td>
<td>0</td>
<td>10,000</td>
<td>0.0%</td>
<td>0.3%</td>
<td>Savings for building repairs / improvements.</td>
</tr>
<tr>
<td>Rent</td>
<td>105,000</td>
<td>106,000</td>
<td>0</td>
<td>105,000</td>
<td>0.0%</td>
<td>3.7%</td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>1,450,000</td>
<td>1,411,028</td>
<td>(38,972)</td>
<td>1,450,000</td>
<td>0.0%</td>
<td>50.5%</td>
<td>Full staff plus 3% salary increases.</td>
</tr>
<tr>
<td>Subscriptions and Dues</td>
<td>48,000</td>
<td>53,034</td>
<td>5,034</td>
<td>48,000</td>
<td>0.0%</td>
<td>1.7%</td>
<td></td>
</tr>
<tr>
<td>Supplies / Office Expenses</td>
<td>62,000</td>
<td>62,187</td>
<td>187</td>
<td>63,000</td>
<td>1.6%</td>
<td>2.2%</td>
<td></td>
</tr>
<tr>
<td>Telecommunications</td>
<td>38,000</td>
<td>35,783</td>
<td>(2,217)</td>
<td>38,000</td>
<td>0.0%</td>
<td>1.3%</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>30,000</td>
<td>23,925</td>
<td>(6,075)</td>
<td>24,000</td>
<td>-20.0%</td>
<td>0.8%</td>
<td></td>
</tr>
<tr>
<td>Reserve Fund Expenditure</td>
<td>25,000</td>
<td>22,196</td>
<td>(2,804)</td>
<td>23,000</td>
<td>-8.0%</td>
<td>0.8%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>180,000</td>
<td>177,982</td>
<td>(2,018)</td>
<td></td>
<td></td>
<td></td>
<td>Board authorized expenditure for the replacement of the HVAC system pursuant to Paragraph 9 of the Property Corporation Lease.</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>$3,051,000</td>
<td>$3,059,304</td>
<td>$8,304</td>
<td>$2,870,000</td>
<td>-5.9%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Revenues Over (Under) Expenditures | ($172,109) | ($175,132) | ($3,023) | $13,316 |
| Beginning Fund Balance | $2,352,195 | $2,352,195 | $2,177,063 |
| Ending Fund Balance | $2,180,086 | $2,177,063 | $2,190,379 |

#### Summary Table

<table>
<thead>
<tr>
<th></th>
<th>Ending Balance FY19</th>
<th>Rev over Exp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total fund balance as of July 1, 2018</td>
<td>$2,352,195</td>
<td>17-18</td>
</tr>
<tr>
<td>Total fund balance as of July 1, 2017</td>
<td>$2,097,790</td>
<td>16-17</td>
</tr>
<tr>
<td>Total fund balance as of July 1, 2016</td>
<td>$1,980,177</td>
<td>15-16</td>
</tr>
<tr>
<td>Total fund balance as of July 1, 2015</td>
<td>$1,827,844</td>
<td>14-15</td>
</tr>
<tr>
<td>Total fund balance as of July 1, 2014</td>
<td>$1,624,059</td>
<td>13-14</td>
</tr>
<tr>
<td>Total fund balance as of July 1, 2013</td>
<td>$1,458,676</td>
<td>12-13</td>
</tr>
<tr>
<td>Total fund balance as of July 1, 2012</td>
<td>$1,257,723</td>
<td>11-12</td>
</tr>
<tr>
<td>Total fund balance as of July 1, 2011</td>
<td>$1,107,730</td>
<td>10-11</td>
</tr>
<tr>
<td>Total fund balance as of July 1, 2010</td>
<td>$1,057,436</td>
<td>09-10</td>
</tr>
<tr>
<td>Total fund balance as of July 1, 2009</td>
<td>$1,017,132</td>
<td>08-09</td>
</tr>
<tr>
<td>Total fund balance as of July 1, 2008</td>
<td>$977,839</td>
<td>07-08</td>
</tr>
<tr>
<td>Total fund balance as of July 1, 2007</td>
<td>$938,545</td>
<td>06-07</td>
</tr>
<tr>
<td>Total fund balance as of July 1, 2006</td>
<td>$899,251</td>
<td>05-06</td>
</tr>
<tr>
<td>Total fund balance as of July 1, 2005</td>
<td>$860,957</td>
<td>04-05</td>
</tr>
<tr>
<td>Total fund balance as of July 1, 2004</td>
<td>$822,663</td>
<td>03-04</td>
</tr>
<tr>
<td>Total fund balance as of July 1, 2003</td>
<td>$784,371</td>
<td>02-03</td>
</tr>
</tbody>
</table>

* Audited Figures
# 2019-2020 League Budget Narrative

## REVENUES

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>Budget FY 2019</th>
<th>Expected FY 2019</th>
<th>Over / (Under) FY 2020</th>
<th>PROPOSED FY 2020</th>
<th>% Change</th>
<th>% of Total Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affiliate Group Contracts</td>
<td>136,950</td>
<td>136,950</td>
<td>0</td>
<td>136,950</td>
<td>0.0%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Annual Conference</td>
<td>400,000</td>
<td>503,421</td>
<td>103,421</td>
<td>400,000</td>
<td>0.0%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Dues</td>
<td>2,057,441</td>
<td>1,912,145</td>
<td>145,296</td>
<td>2,021,866</td>
<td>-1.7%</td>
<td>70.1%</td>
</tr>
<tr>
<td>Interest</td>
<td>25,000</td>
<td>54,904</td>
<td>29,904</td>
<td>50,000</td>
<td>100.0%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>11,000</td>
<td>13,843</td>
<td>2,843</td>
<td>13,000</td>
<td>18.2%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Partnership Programs</td>
<td>67,500</td>
<td>67,995</td>
<td>495</td>
<td>67,500</td>
<td>0.0%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Risk Pool</td>
<td>151,000</td>
<td>155,769</td>
<td>4,769</td>
<td>156,000</td>
<td>3.3%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Seminars and Meetings</td>
<td>30,000</td>
<td>39,145</td>
<td>9,145</td>
<td>38,000</td>
<td>26.7%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

The Arizona City/County Management Association ($68,750), the Government Finance Officers Association of Arizona ($63,000) and the Arizona Municipal Clerks Association ($5,200) contract with the League for staff services. The three associations currently pay $136,950 for services including graphic design, website management, conference planning and membership management.

Revenues from the Annual Conference are estimated since that number is highly variable depending on sponsorships and attendance. Conference revenue is intended to cover all conference expenses, except staff salaries, plus provide approximately $170,000 in net revenue to the League to support other programs throughout the year. Sponsorships play a very important role in conference revenue and we will continue to pursue existing and new companies to assure that our sponsorship revenues will remain strong. Conference registration fees and sponsorships are the second-largest source of revenue for ongoing League operations.

The current dues formula is a $4,160 base fee plus a varying per capita rate ranging from $.49 to $.52 depending on population. Cities over 200,000 population pay on a capped dues formula.

Through investment accounts, the League earns interest income on our unexpended fund balances. The bulk of the funds are invested with the State Treasurer’s Local Government Investment Pool.

This item includes publication sales and job postings.

Any revenue realized from League partnership programs is included in this line item. Current programs included in this item are: American Legal, APS Internship, Utility Service Partners, US Communities and Valley Schools.

The League receives an annual fee from the Arizona Municipal Risk Retention Pool (AMRRP) for institutional value related to our sponsorship, marketing, promotion, lobbying and other services for the insurance pool program. The Executive Director serves as a non-voting member of the AMRRP Board.

The League offers a variety of classes and training program opportunities throughout the year, most at minimal or no cost. We also present programs in conjunction with one of the affiliate groups such as the city managers or city clerks, or other government-related groups. Fees are assessed to cover costs of training materials, mailings, refreshments, building space, etc.

**TOTAL REVENUES**

$2,878,891 $2,884,172 $5,281 $2,883,316 0.2%
### EXPENDITURES

<table>
<thead>
<tr>
<th>Category</th>
<th>Budgeted 2023</th>
<th>Actual 2023</th>
<th>Variance 2023</th>
<th>Budgeted 2024</th>
<th>Actual 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Conference</strong></td>
<td>230,000</td>
<td>330,712</td>
<td>100,712</td>
<td>230,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>The amount budgeted for Conference expenses is only an estimate because final contracts for meal functions and other activities are not yet finalized. This amount includes direct costs only, primarily for the conference hotel; staff time is not included in this figure. Revenue received from the Conference is expected to offset the entire amount of these expenses.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>550,000</td>
<td>521,787</td>
<td>(28,213)</td>
<td>551,000</td>
<td>0.2%</td>
</tr>
<tr>
<td>Both the professional and clerical staff have pension coverage with the Arizona State Retirement System (ASRS) in addition to Social Security. Employees are covered by group insurance for health under policies with United Healthcare, a dental plan through Delta Dental, life insurance through the Guardian and long term disability insurance under ASRS. The League pays 100% of each employee’s costs and 80% of an employees’ dependent health coverage. The League also offers two other options: a vision program and AFLAC insurance, both options fully paid by employees. By League policy, staff is also provided with an opportunity to participate in a professional development activity such as specialized training or conferences and higher education, upon the approval of the Executive Director. The following expenditures are projected: ASRS - $167,000; Group Health - $221,000; Group Dental - $13,000; Life Insurance - $5,000; FICA - $109,000; Worker's Compensation - $3,000; Other Miscellaneous - $23,000; Education/Professional Development - $10,000.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital Outlay</strong></td>
<td>20,000</td>
<td>12,096</td>
<td>(7,904)</td>
<td>18,000</td>
<td>-10.0%</td>
</tr>
<tr>
<td>The amount budgeted in this category is to keep up with the ongoing schedule of replacing computer equipment and operating software.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equipment Rental &amp; Maintenance</strong></td>
<td>14,000</td>
<td>11,773</td>
<td>(2,227)</td>
<td>12,000</td>
<td>-14.3%</td>
</tr>
<tr>
<td>This category includes the costs for equipment repair and maintenance agreements on office equipment such as the copiers and computers.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Executive Committee</strong></td>
<td>8,000</td>
<td>7,908</td>
<td>(92)</td>
<td>8,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>Members of the Executive Committee and subcommittees are eligible for reimbursement of expenses incurred in attending Executive Committee meetings other than the meeting held during the Annual Conference and for special meetings or legislative matters. The League President can be reimbursed for travel, lodging and related costs for attendance at the two major conferences of the National League of Cities. This category also includes the costs incurred for the luncheons in conjunction with the Executive Committee meetings.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td>8,000</td>
<td>7,676</td>
<td>(324)</td>
<td>8,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>The League has consolidated all our liability and workers comp coverage through AMRRP, the League-sponsored municipal insurance pool. This item includes insurance coverage for office contents, liability, data processing and employee bond.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Postage &amp; Shipping</strong></td>
<td>6,000</td>
<td>5,427</td>
<td>(573)</td>
<td>6,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>The largest costs for the year in the postage and shipping budget are for shipping of the Local Government Directory, Legislative Poster and Annual Calendar.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PR &amp; Communications</strong></td>
<td>74,000</td>
<td>59,105</td>
<td>(14,895)</td>
<td>68,000</td>
<td>-8.1%</td>
</tr>
<tr>
<td>The League retains the services of a communications management firm to coordinate our social media messaging in response to legislative issues. The League also retains the services of a communications marketing firm to create and implement aspects of the AZ Cities @ Work campaign as well as provide web assistance and newsletter design and distribution.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Printing</strong></td>
<td>10,000</td>
<td>9,190</td>
<td>(810)</td>
<td>10,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>The League prints as many publications as possible in-house. Copy costs for in-house work are included in their respective lease/maintenance plans which are in the Equipment Rental and Maintenance budget item. Larger projects, such as the Local Government Directory are competitively bid out to private printing firms. Budgeted printing projects for the next fiscal year include the Local Government Directory, Policy Statement, Legislative Poster and Calendar.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Professional Services</strong></td>
<td>183,000</td>
<td>192,495</td>
<td>9,495</td>
<td>198,000</td>
<td>8.2%</td>
</tr>
<tr>
<td><strong>Accounting</strong></td>
<td>48,000</td>
<td>46,945</td>
<td>(1,055)</td>
<td>48,000</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Contract Lobbying &amp; Consulting Svcs</strong></td>
<td>100,000</td>
<td>140,800</td>
<td>40,800</td>
<td>130,000</td>
<td>30.0%</td>
</tr>
<tr>
<td><strong>Legal</strong></td>
<td>35,000</td>
<td>4,750</td>
<td>(30,250)</td>
<td>20,000</td>
<td>-42.9%</td>
</tr>
<tr>
<td>This category principally includes services from outside vendors and consultants such as contract lobbying assistance, specialized expertise on municipal elections, one-time projects and outside legal counsel. It also includes our annual audit by a certified public accounting firm, our monthly accounting services which are handled by a contractual agreement with a private accounting firm, paycheck processing fees and contracting fees for web hosting and maintenance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Prop Corp - Building Improvement Fund</strong></td>
<td>10,000</td>
<td>10,000</td>
<td>0</td>
<td>10,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>The League contributes $10,000 annually into a fund to save for future building improvements.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The League building is owned by the League’s Property Corporation. In order to account for maintenance and utility costs, the League pays rent to the Property Corporation. The rental cost for next year is $105,000, a rate of $19/sq. ft.

### Salaries
Staff salaries make up the largest expenditure line item of the League budget. Our fifteen staff positions include Executive Director, Deputy Director, Legislative Director, Communications and Education Director, General Counsel, two Legislative Associates, a Member Services Associate, Tax Policy Analyst, Communication and Education Assistant, Staff Assistant, Office Manager, two clerical staff and a part-time Graphic Designer. We also hire interns for the legislative session and other special projects. Over time, our goal has been to have a competitive compensation package compared to other similar public and private organizations in order to retain our talented and effective League staff, while remaining sensitive to the fiscal condition of many of our member cities and towns. Maintaining staff stability helps with continuity on many complex issues, provides greater value to our members and gives us the opportunity to develop credibility and positive relationships with the legislators. The budgeted amount includes general salary increases of 3%.

### Seminars and Meetings
This category includes all costs associated with our training seminars, workshops, luncheon meetings and special events. It also includes charges for receptions at the NLC conferences for Arizona delegates.

### Subscriptions and Dues
The bulk of this category is used to pay the League’s annual dues for membership in the National League of Cities. Other costs in this category include our subscriptions to printed versions of legislative bills and amendments, legislative-related newsletters and background sheets, our online legislative information tracking service and the update costs for the state statutes and legal resources housed in our library.

### Supplies / Office Expenses
This line item pays for general office supplies such as paper and toner for the printers, pens, pads, notebooks as well as mailing supplies. It also includes other miscellaneous office expenses such as bankcard fees for processing credit card payments.

### Telecommunications
This category includes usage charges for the regular phone service, cell phone charges, Internet service, and web hosting fees. This category also includes charges for telephone conference services which are used extensively for legislative business and other kinds of meetings.

### Travel
As part of their job duties, League staff members travel to our member cities and towns for in-person visits and presentations as often as reasonably possible. It is a priority for staff members to keep in touch with our members across the state in support of legislative efforts and city assistance projects. Items in this category include rental vehicles as well as reimbursement for actual travel costs. This line item also includes air travel and lodging for NLC conferences and special meeting activities such as various State League meetings and NLC related metings.

### Reserve Fund Expenditure
Board authorized expenditure by the League for the replacement of the HVAC system pursuant to Paragraph 9 of the Property Corporation Lease.

The League’s budget for the fiscal year ending December 31, 2022, is as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Amount</th>
<th>Change</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rent</strong></td>
<td>$105,000</td>
<td>$105,000</td>
<td>0</td>
<td>$105,000</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Salaries</strong></td>
<td>$1,450,000</td>
<td>$1,411,028</td>
<td>(38,972)</td>
<td>$1,450,000</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Seminars and Meetings</strong></td>
<td>$48,000</td>
<td>$53,034</td>
<td>5,034</td>
<td>$48,000</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Subscriptions and Dues</strong></td>
<td>$62,000</td>
<td>$62,187</td>
<td>187</td>
<td>$63,000</td>
<td>1.6%</td>
</tr>
<tr>
<td><strong>Supplies / Office Expenses</strong></td>
<td>$38,000</td>
<td>$35,783</td>
<td>(2,217)</td>
<td>$38,000</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Telecommunications</strong></td>
<td>$30,000</td>
<td>$23,925</td>
<td>(6,075)</td>
<td>$24,000</td>
<td>-20.0%</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td>$25,000</td>
<td>$22,196</td>
<td>(2,804)</td>
<td>$23,000</td>
<td>-8.0%</td>
</tr>
<tr>
<td><strong>Reserve Fund Expenditure</strong></td>
<td>$180,000</td>
<td>$177,982</td>
<td>(2,018)</td>
<td>---</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL EXPENDITURES**: $3,051,000

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Amount</th>
<th>Change</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues Over (Under) Expenditures</strong></td>
<td>($172,109)</td>
<td>($175,132)</td>
<td>($3,023)</td>
<td>$13,316</td>
<td></td>
</tr>
<tr>
<td><strong>Beginning Fund Balance</strong></td>
<td>$2,352,195</td>
<td>$2,352,195</td>
<td>0</td>
<td>$2,177,063</td>
<td></td>
</tr>
<tr>
<td><strong>Ending Fund Balance</strong></td>
<td>$2,180,086</td>
<td>$2,177,063</td>
<td>0</td>
<td>$2,190,379</td>
<td></td>
</tr>
</tbody>
</table>
Agenda Item #4  2019 League Conference Update

Summary: Preparations for the 2019 League Conference are well underway; a group met in March to discuss ideas and establish the framework for the Conference sessions. The Conference will be held August 20-23 at the Starr Pass Resort in Tucson. The registration information will be sent out to all cities and towns during the week of May 20.

Responsible Person: Matt Lore, Communication & Education Director

Attachments: List of Conference Sponsors to date
           Corporate Sponsorship Brochure
## 2019 Annual Conference Sponsors

*(As of April 25, 2019)*

<table>
<thead>
<tr>
<th>Organization</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona Public Service</td>
<td>Platinum</td>
</tr>
<tr>
<td>Arizona State University</td>
<td>Platinum</td>
</tr>
<tr>
<td>SOLON</td>
<td>Platinum</td>
</tr>
<tr>
<td>The University of Arizona</td>
<td>Platinum</td>
</tr>
<tr>
<td>Kairos Health Arizona, Inc.</td>
<td>Gold</td>
</tr>
<tr>
<td>Schneider Electric</td>
<td>Gold</td>
</tr>
<tr>
<td>Stifel</td>
<td>Gold</td>
</tr>
<tr>
<td>Swire Coca-Cola</td>
<td>Gold</td>
</tr>
<tr>
<td>Waste Management</td>
<td>Gold</td>
</tr>
<tr>
<td>Brown &amp; Associates</td>
<td>Silver</td>
</tr>
<tr>
<td>Tucson Electric Power/Unisource Energy Services</td>
<td>Silver</td>
</tr>
<tr>
<td>Agenda Discovery</td>
<td>Bronze</td>
</tr>
<tr>
<td>American Medical Response</td>
<td>Bronze</td>
</tr>
<tr>
<td>Central Arizona Project</td>
<td>Bronze</td>
</tr>
<tr>
<td>CORE Construction</td>
<td>Bronze</td>
</tr>
<tr>
<td>Employers Council</td>
<td>Bronze</td>
</tr>
<tr>
<td>RBC Capital Markets, LLC</td>
<td>Bronze</td>
</tr>
<tr>
<td>Southwest Gas Corporation</td>
<td>Bronze</td>
</tr>
<tr>
<td>Sunstate Technology Group</td>
<td>Bronze</td>
</tr>
<tr>
<td>Union Pacific Railroad</td>
<td>Bronze</td>
</tr>
<tr>
<td>American Legal Publishing</td>
<td>Endorsed</td>
</tr>
<tr>
<td>AMRRP</td>
<td>Endorsed</td>
</tr>
<tr>
<td>BMO Harris Bank</td>
<td>Endorsed</td>
</tr>
<tr>
<td>H-PACT</td>
<td>Endorsed</td>
</tr>
<tr>
<td>National League of Cities Service Line Warranty Program</td>
<td>Endorsed</td>
</tr>
<tr>
<td>U.S. Communities</td>
<td>Endorsed</td>
</tr>
</tbody>
</table>
The 2019 League Annual Conference will be held at the JW Marriott Starr Pass Resort in Tucson, AZ, August 20-23. The Annual Conference is the League’s signature event, a four-day meeting bringing together more than 1,000 Arizona mayors, councilmembers, appointed officials and guests. The Annual Conference allows members and other municipal officials to share experiences and discuss current local, regional and national trends affecting their communities.

Sponsorship of the conference allows you to:

• Reach more than 1,000 elected officials and guests at one conference
• Increase visibility for your company
• Participate in conference events
• Develop and maintain contacts with elected officials and municipal staff

Your financial assistance through sponsorship of the conference permits the League of Arizona Cities and Towns to keep expenses affordable for even the smallest Arizona municipalities. In addition, our range of participation levels provides your organization with flexible opportunities to support important conference events - along with optimum visibility and name recognition for your organization.

Levels of Sponsorship:

<table>
<thead>
<tr>
<th>Level</th>
<th>Platinum</th>
<th>Gold</th>
<th>Silver</th>
<th>Bronze</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$10,000</td>
<td>$8,000</td>
<td>$5,000</td>
<td>$2,500</td>
</tr>
</tbody>
</table>

For detailed information on the sponsor levels and corresponding benefits, please see page 3.
## SPONSOR BENEFITS

<table>
<thead>
<tr>
<th>EXHIBIT SPACE</th>
<th>PLATINUM $10,000</th>
<th>GOLD $8,000</th>
<th>SILVER $5,000</th>
<th>BRONZE $2,500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table top exhibit in conference registration area for entire event</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## PUBLIC RECOGNITION OF SPONSORSHIP

<table>
<thead>
<tr>
<th>Benefit</th>
<th>PLATINUM</th>
<th>GOLD</th>
<th>SILVER</th>
<th>BRONZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company name included on conference program, signage and app</td>
<td>LOGO</td>
<td>LOGO</td>
<td>NAME ONLY</td>
<td>NAME ONLY</td>
</tr>
<tr>
<td>Company name, logo and link included on conference section of League website</td>
<td>LOGO &amp; WEB LINK</td>
<td>LOGO &amp; WEB LINK</td>
<td>NAME &amp; WEB LINK</td>
<td>NAME ONLY</td>
</tr>
<tr>
<td>Company name and logo included on special signage recognizing sponsors at major conference events</td>
<td>LOGO</td>
<td>LOGO</td>
<td>NAME ONLY</td>
<td>NAME ONLY</td>
</tr>
<tr>
<td>Public recognition of sponsorship during Opening General Session</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Company representative invited on stage during Opening General Session</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company logo on conference bag</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opportunity to place one pre-approved promotional item in conference bags</td>
<td>●</td>
<td>ADDITIONAL FEE</td>
<td>ADDITIONAL FEE</td>
<td>ADDITIONAL FEE</td>
</tr>
<tr>
<td>Ability to distribute pre-approved items to golfers</td>
<td>●</td>
<td>ADDITIONAL FEE</td>
<td>ADDITIONAL FEE</td>
<td>ADDITIONAL FEE</td>
</tr>
<tr>
<td>Opportunity to place program ad</td>
<td>ADDITIONAL FEE</td>
<td>ADDITIONAL FEE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opportunity to sponsor conference break</td>
<td>ADDITIONAL FEE</td>
<td>ADDITIONAL FEE</td>
<td>ADDITIONAL FEE</td>
<td>ADDITIONAL FEE</td>
</tr>
<tr>
<td>Opportunity to sponsor the golf tournament</td>
<td>●</td>
<td>ADDITIONAL FEE</td>
<td>ADDITIONAL FEE</td>
<td>ADDITIONAL FEE</td>
</tr>
<tr>
<td>Opportunity to meet and interact with city and town mayors at special sponsor reception</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Sponsor name and logo listed in conference mobile app</td>
<td>LOGO &amp; WEB LINK</td>
<td>LOGO &amp; WEB LINK</td>
<td>NAME &amp; WEB LINK</td>
<td>NAME ONLY</td>
</tr>
</tbody>
</table>

## CONFERENCE REGISTRATIONS

<table>
<thead>
<tr>
<th>Benefit</th>
<th>PLATINUM</th>
<th>GOLD</th>
<th>SILVER</th>
<th>BRONZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complimentary registrations to the conference</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Complimentary golf registrations</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Questions? Contact Samantha Womer at 602-258-5786
EXTRA SPONSOR OPPORTUNITIES

Conference Bag Sponsor  
(must be a sponsor at any level)  
For an $1000 contribution beyond your selected benefactor level, a sponsor may send the League a pre-approved promotional item from your company to be placed in the conference bags.

Golf Tournament Sponsor  
(must be a sponsor at any level)  
For an $1000 contribution beyond your selected benefactor level, you will receive a complimentary golf foursome, company logo on signage at the tournament and the opportunity to distribute a company promotional item to golfers.

Conference Break Sponsor  
(must be a sponsor at any level)  
For an $1000 contribution beyond your selected benefactor level, you may sponsor a conference morning break. Included in this sponsorship opportunity is signage with your company’s logo in the coffee/break area. (Please indicate which break you would like to sponsor on the reservation form.)

Ad in Final Conference Program  
(must be a gold or platinum sponsor)  
PLATINUM or GOLD sponsors also have the opportunity to place an ad in the conference program.

- Back Cover . . . . . . . $3,000  
- Inside Front Cover . . $2,500  
- Inside Back Cover . . $2,500  
- Inside Full Page . . . $2,000  
- Inside Half Page . . . $1,000

The inside front cover, inside back cover and the back cover are available on a first-come, first-served basis.

League of Arizona Cities and Towns

Questions? Contact Samantha Womer at 602-258-5786
Tuesday, August 20
• Golf Tournament (morning)
• League Resolutions Committee (afternoon)
• Sponsor Reception (evening)
• Welcome Reception (evening)

Wednesday, August 21
• Opening General Session (morning)
  - Parade of Flags
  - Sponsor Recognition
  - Keynote
• League Youth Program (all day)
• Concurrent Sessions (afternoon)
• Dinner and Entertainment (evening)

Thursday, August 22
• Concurrent Sessions (all day)
• Spouse/Guest Program
• Service and Legislative Award Luncheon
• Annual Business Meeting (afternoon)
• Showcase of Cities and Towns (evening)

Friday, August 23
• Closing Sessions (morning)

A detailed agenda will be available when registration opens in late May 2019. Once registration is open, the agenda will be posted to the League’s homepage, www.azleague.org.
PAST CONFERENCE SPONSORS

- Agenda Discovery, LLC
- Ameresco
- American Airlines
- American Legal Publishing
- American Medical Response Team
- AMRRP
- ARCADIS
- Arizona Food Marketing Alliance
- Arizona Lottery
- Arizona Metropolitan Trust
- Arizona Pipe Trades UA Local 469
- Arizona State university
- AT & T
- ATN International
- Ballard Spahr
- Banner Aetna
- BMO
- Brown and Associates
- BNSF Railway
- CAP
- CenturyLink
- Charles Abbott
- Cigna
- Civicplus
- Climatec
- Comcast
- Commvault
- Cox Business
- EPCOR
- Gammage and Burham
- Gust Rosenfeld
- Harris
- Highground
- HPACT
- ITC Holdings
- KairoS
- Kasdan Lippsmith Weber Turner
- Kiewet
- Kutak Rock
- LIUNA/LECET Southwest
- McKinstry
- Midstate Energy
- Molera Alvarez
- Mountain states
- National Bank of AZ
- NLC USP
- ONE Community
- PFM
- Public Trust
- RBC
- Redflex
- Republic Services
- Resolution copper
- Salt River Project
- Schneider Electric
- Security Industry Alarm Coalition
- Siemens
- Solar City
- SOLON
- Southwest Gas
- SRP
- Stifel
- Swire Coca-Cola
- Nature Conservancy
- U of A
- TimeClock Plus
- TMobile
- Total Transit
- TEP
- US Communities
- UP
- United Healthcare
- Verizon
- Waste Management
- WAYMO
- Wendel Energy Services
- West Safety Services
- World Wide Tech

Questions? Contact Samantha Womer at 602-258-5786
SPONSOR RESERVATION FORM

Please Select a Sponsorship Level:
- Platinum .................. $10,000
- Gold ..................... $8,000
- Silver ..................... $5,000
- Bronze ..................... $2,500

Extra Benefactor Opportunities:
(Must be a sponsor to participate)
- Conference Bag ............ $1,000
- Golf Sponsor ............... $1,000
- Morning Break Sponsor . . $1,000

Please mark your preference:
- Wednesday Morning
- Thursday Morning

Conference Program Ad:
(Platinum and gold sponsors only)
- Back Cover .............. $3,000
- Inside Front Cover ...... $2,500
- Inside Back Cover ...... $2,500
- Inside Full Page ........ $2,000
- Inside Half Page ....... $1,000

The Conference Program inside cover and the back cover are on a first-come, first-served basis.

Company Name

Contact Name

Contact Title

Address

City  State  Zip

Phone  Email

If you choose to pay via credit card, there will be an automatic 5% fee included in addition to the sponsorship amount. Please contact Samantha Womer at swomer@azleague.org for a credit card form.

Please return by email, mail or fax, along with your check, by May 24, 2019 to:

League of Arizona Cities and Towns
1820 West Washington Street
Phoenix, Arizona 85007
Fax: 602-253-3874
sponsors@azleague.org
Agenda Item #5  AMRRP Update

Summary: The Arizona Municipal Risk Retention Pool (AMRRP) was created in 1983 under legislation sponsored by the League in order to provide a stable and affordable source of insurance coverage for cities and towns. The League works very closely with the pool since many of our goals are the same: to prevent problems that affect the successful operations and governance of Arizona municipalities, and to provide resources to assist them in their duties. Today, the pool provides property/liability and workers’ comp coverage to 73 of the 91 municipalities.

Today’s presentation will highlight some of the products and services of AMRRP and serve as a reintroduction of the special relationship between the pool and the League.

Responsible Person: Ken Strobeck
Agenda Item #6  Review and Possible Adoption of League Bylaws

Summary: The League Charter, Article VIII, Section 2 (C), allows for the adoption of bylaws to codify certain procedures. The draft bylaws presented at the last meeting have been revised as requested and are submitted for the committee’s consideration and adoption.

Responsible Person: Ken Strobeck

Attachment: Proposed League Bylaws

Action Requested: Approval
BYLAWS

of the

League of Arizona Cities and Towns

ARTICLE I

GENERAL

Section 1. CORPORATION NAME. This organization shall be known as the League of Arizona Cities and Towns (“League”).

Section 2. PRINCIPAL OFFICE. The principal office of the League shall be 1820 West Washington, Phoenix, Arizona 85007, and additional offices may be maintained at such other places within the State of Arizona as the Executive Committee designates.

Section 3. PURPOSE AND INITIAL BUSINESS. These bylaws are adopted by the League to govern and facilitate its business as an association in accordance with, and subject to, the provisions of the League Charter.

Section 4. COMPLIANCE WITH GOVERNING LAW. In all matters not specified in these bylaws, or in the event these bylaws conflict with applicable law, the League will comply with state and federal law.

Section 5. FISCAL YEAR. The League shall operate on a July 1 through June 30 year.

ARTICLE II

MEMBERSHIP

Section 1. MEMBERS AND ENDORSED PROGRAMS DEFINED.

A. Members. Any city or town incorporated under the Constitution and laws of the state of Arizona shall be eligible for membership in the League upon passage of a council ordinance or resolution and payment of the current membership fee. Such membership shall be in the name of the city or town. Newly incorporated cities and towns shall be deemed League members upon their incorporation date, with their first dues payment payable on the first July 1 following incorporation. Each city or town holding membership shall be equally privileged with every other city holding membership with regards to its vote, the conduct of organizational business, and the distribution of assets upon dissolution of the League as provided in the League Charter.

B. Endorsed Organizations. The League Executive Committee may endorse organizations that offer unique, essential and reliable services to the benefit of League members. The League will exclusively endorse the services these organizations offer and provide on-
going oversight to ensure quality service to League members in exchange for royalties or fees. These endorsed programs are not members, shall not vote and shall not be entitled to distribution of League assets upon dissolution.

Section 2. SUSPENSION, TERMINATION OR WITHDRAWAL OF MEMBERSHIP.

A. Suspension/Termination: The League shall give notice in writing to any member that is at least three months in arrears in the payment of annual dues that membership shall be suspended within thirty days unless payment is made in full and membership shall be terminated if the full amount of annual dues is not paid five months following the deadline. The Executive Director shall promptly notify the member and the Officers of the membership status and notify the Executive Committee at the next regular meeting. If a member is terminated, the member may request re-instatement upon payment of the annual dues in full for the current fiscal year of the League. A resolution or ordinance seeking membership to the League is not required if reinstatement occurs within one year of the termination.

B. Withdrawal: Pursuant to Article II Section 3 of the League Charter, a member may voluntarily withdraw its membership by passing a council resolution or ordinance stating its intent to discontinue League membership after ninety days from the date of the resolution or ordinance. Failure by the withdrawing member to notify the League President and Executive Director of its withdrawal as required in the League Charter, does not maintain their active membership status. Any member who withdraws may not receive a refund of any portion of its dues upon such notice of withdrawal.

C. Effect of Termination or Withdrawal. A member that is terminated or voluntarily withdraws from the League is no longer a member and shall not be eligible to vote, serve on any committees, or receive any benefits from the League. If a member is terminated or withdraws and has a position on the Executive Committee, the seat is deemed vacant.

ARTICLE III

LEAGUE COMMITTEES

Section 1. STANDING COMMITTEES. Pursuant to Article VIII of the League Charter, the Budget Committee, Nominating Committee, Policy Committees, Resolutions Committee and Amicus Committee are established. The duties and procedures of said committees shall be determined by the Officers and Executive Director. Questions of parliamentary practice shall be made in accordance with Arizona law and the latest edition of Robert’s Rules of Order or other parliamentary procedures adopted by the Executive Committee.

A. Nominating Committee
1. **Appointment of Committee.** The President of the League shall appoint a Nominating Committee consisting of a Chairman and at least three members at least 30 days prior to the beginning of the League Conference. Committee members shall be chosen from the Executive Committee roster of members whose terms do not expire in the current year.

2. **Qualifications for Nomination to Executive Committee; Persons considered for nomination to the Executive Committee or as an officer of the League shall be an elected official from a city or town holding membership in the League. An elected official from a suspended member is ineligible to serve on the Executive Committee.

3. **Notification of Seats to be Filled.** At least six weeks before each Annual Conference, the Chairman of the Nominating Committee shall mail to the mayor of each city and town not represented on the Executive Committee, and to each Executive Committee member whose term expires at the Conference, a letter indicating the following:
   a. The number of seats to be filled;
   b. The deadline for letters of interest to be sent to the Chairman;
   c. The suggested information to be included in a letter of interest such as government experience, League involvement, professional training or skills, etc.
   Note: If there are no actual vacancies the letter does not need to be sent.

4. **Deadline for Letters of Interest; One Recommendation per City/Town.** City and town elected officials interested in serving on the Executive Committee shall transmit to the chairman a letter indicating that interest no later than 14 days prior to the beginning of the Conference. The deadline shall be specified in the letter sent from the Chairman. Unless, in the opinion of the chairman, extraordinary circumstances exist, letters received after the deadline shall not be considered. Only one letter of interest shall be mailed to the Chairman from a city or town. If the Chairman receives more than one letter of interest from a member, the Chairman will promptly notify the member that the City/Town Council must decide by the deadline which official will be recommended by the city or town.

5. **Selection Criteria.** The Nominating Committee shall meet during the Annual Conference and prepare a slate of recommend nominees. In its deliberations, the Committee shall seek diversity and balance so that all areas of the State, large and small cities and towns, and urban and rural areas are represented. In seeking geographic representation, major population centers must also be considered. The Nominating Committee shall also make a confidential list of the other candidate(s) they believe should be appointed in the event there are additional vacancies.
   The report of the Nominating Committee shall be made available to the conference delegates as soon as possible following the Committee's meeting. The chairman or his designee shall also report on the recommendations at the Annual Business Meeting.

6. **Non-Conference Appointments.** If requested by the President, the Nominating Committee Chairman shall make the additional names known at the February or May meeting of the Executive Committee. Pursuant to the League Charter, Article VI., Section 2,
Executive Committee may fill vacancies with those nominees for the remainder of the term until the next Annual Conference.

B. Policy Committees

1. Purpose. The Policy Committees are created to discuss legislative proposals brought forward by member cities and towns for consideration by the Resolutions Committee and inclusion in the League’s legislative agenda. A policy proposal must go through one of the Policy Committees in order to be considered by the full Resolutions Committee unless a waiver is granted by the Resolutions Committee Chair. The Executive Director may submit a League Staff policy proposal with permission of the Resolutions Committee Chair.

2. Membership. Policy Committee Chairs shall be members of the Executive Committee and are appointed to their position by the League President. Members of the committee may include elected and appointed staff of members with no more than three members from any one city or town. Only elected officials may vote on policy recommendations and only one vote is allowed for each city or town.

C. Budget Committee

1. Purpose. The Budget Committee is created to work with League staff to develop the organization’s annual budget and recommended dues schedule. The committee’s proposed budget is presented to the Executive Committee at its February meeting and dues for the upcoming fiscal year are adopted at that meeting. The budget is adopted at the May meeting.

2. Membership. The President appoints the Budget Committee Chairman and three standing members from the Executive Committee. Any other Executive Committee member may attend and participate in committee meetings.

D. Resolutions Committee.

1. Purpose. The Resolutions Committee shall meet once per year at the Annual Conference and take action on the Policy Committee recommendations to form the basis of the League’s legislative agenda for the upcoming legislative session.

2. Chairman. The Resolutions Committee Chairman is selected by the President and notified of appointment at least two months prior to the Annual Conference.

3. Review Process. Resolutions submitted by the Policy Committee Chairs may be discussed at the Annual Conference and action may be taken on the proposals.

4. Voting. In every question which may require a vote of the entire membership, each member has one vote and the delegate designated by the governing body of the city or town shall cast the vote of such city or town. The President may require any delegate to present
evidence of authority to represent a city or town. Municipal staff are ineligible to serve as delegates for voting purposes.

5. Parliamentary Procedure. The League General Counsel shall serve as parliamentarian. Questions of parliamentary practice shall be decided according to applicable law and the latest edition of Robert’s Rules of Order or other parliamentary procedures adopted by the Executive Committee.

E. Amicus Committee

1. Purpose. The Amicus Committee provides recommendations as to whether the League should file an amicus curiae brief to support issues impacting cities and towns statewide. The League may only file a brief in appellate cases in state and federal court pursuant to court rules.

2. Designation of the Amicus Committee. The Amicus Committee is comprised of seven designated municipal attorneys, who will be voting members of the committee. The League's General Counsel will serve as Chairman. One of the members of the Amicus Committee will be the current President of the Arizona City Attorneys Association (“ACAA”) and other committee members will serve two-year terms and may be appointed or reappointed, at the discretion of the ACAA President. Should a vacancy occur on the committee, League General Counsel will recommend a replacement to the ACAA President. Any person appointed to fill such a vacancy shall serve out the remainder of the term and may then be reappointed. For purposes of this section, “designated municipal attorney” means the appointed city or town attorney or the attorney contracted to provide primary legal services to the city or town.

3. Procedure for requesting participation as amicus curiae. A request for amicus curiae participation must be directed to the General Counsel. The request must be from a League member governing body, or from the attorney for the governing body, acting on behalf of the jurisdiction or entity requesting the League’s participation as amicus curiae. The request must describe:

   a. The nature of the case and the issues presented,
   b. Why this appeal is of particular importance to Arizona municipalities statewide,
   c. The procedural status of the appeal, including the briefing schedule, if known,
   d. The name, title and contact information for the person or persons representing the municipality in appeal.

4. The request should be accompanied by whatever attachments the applicant believes the Amicus Committee would find useful in making its decision including a copy of the court order or decision appealed from, briefs to the lower court(s) on relevant issues, notices of appeal, cert petitions, orders setting briefing schedules and so forth.
5. Procedure for review of request.

   a. The General Counsel, after notification to the Executive Director, may make a recommendation to the Amicus Committee as a starting point for committee discussion. The League General Counsel and the Amicus Committee shall review the amicus request and attached materials. The General Counsel and the committee may solicit advice from attorneys with expertise in the particular area or areas of law addressed in the appeal, as necessary or useful to assist in their analysis.

   b. The committee shall make a recommendation regarding participation in the appeal. A member of the committee whose client is requesting amicus participation may not vote on the committee’s recommendation. The League is not bound by the committee’s recommendation.

   c. A recommendation from the Amicus Committee shall be submitted to the League Executive Director who may authorize the preparation and filing of an amicus brief on behalf of the League. If, in the opinion of the Executive Director, the proposed position on the matter under consideration is not widely supported by all cities and towns, he or she may decide not to authorize the filing of an amicus brief. At any time, the Executive Director may refer the question to the Officers’ Council.

   d. The League Executive Committee will receive periodic reports on the filings and outcomes of cases in which League amicus briefs have been filed.

ARTICLE IV
LEGAL ACTION

Section 1. LITIGATION.

In the event the League seeks to pursue litigation in state or federal court, the Executive Committee shall approve the expenditure of League funds to hire legal representation, and if necessary, levy any special assessments to pay for the expenditure pursuant to Article III, Section 2 of the Charter. The Executive Director and League General Counsel shall facilitate the hiring of outside counsel, subject to approval by the League Officers.

ARTICLE V
LEGISLATIVE ISSUES

Section 1. LEGISLATIVE POSITIONS. Pursuant to Article VIII, Section 2 of the League Charter, the position of the League on proposed state or federal legislative matters, including resolutions, shall be determined by the members through official actions at the Annual Conference, authorization by the Executive Committee, or the Officers’ Council. The Executive Director may authorize League staff to advocate on the League’s behalf on other legislative
issues that arise when the Executive Committee or Officers are unavailable to respond to other issues as long as the League’s actions are consistent with the League’s core principles: preserve local control and maintain the shared revenue system.

ARTICLE VI

LIABILITY AND INDEMNIFICATION

Section 1. INDEMNIFICATION. The power of indemnification under the Arizona Revised Statutes shall not be denied or limited by the Charter or bylaws.

ARTICLE VII

BOOKS AND RECORDS

Section 1. BOOKS AND RECORDS OF THE LEAGUE. All books, records, receipts, returns, minutes, and other data of the League, including the minutes of committee meetings, shall remain the permanent property of the League.

ARTICLE VIII

EXECUTIVE COMMITTEE EXPENSES

Section 1. TRAVEL REIMBURSEMENT. Members of the Executive Committee are entitled to receive mileage reimbursement when attending the quarterly meetings of the Committee or if requested by the President of League Staff to attend other meetings or events on behalf of the League. Reimbursement is at the current League rate,

Section 2. NLC CONFERENCES. Travel, lodging and registration expenses will be covered for the League President to attend the National League of Cities annual meetings in the spring in Washington D.C. and the City Summit in the fall.

ARTICLE IX

ARIZONA OPEN MEETINGS LAW

Section 1. LEAGUE COMPLIANCE. The League will comply with the principles of the state Open Meetings Law including proper meeting notices, conducting its business in open sessions, reporting of legal action and posting of minutes.
<table>
<thead>
<tr>
<th><strong>Agenda Item #7</strong></th>
<th><strong>Review and Adoption of Minutes of League Property Corporation</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summary:</strong></td>
<td>Minutes of the previous meeting are enclosed for your review and approval.</td>
</tr>
<tr>
<td><strong>Responsible Person:</strong></td>
<td>President Christian Price</td>
</tr>
<tr>
<td><strong>Attachment:</strong></td>
<td>May 11, 2018 Minutes</td>
</tr>
<tr>
<td><strong>Action Requested:</strong></td>
<td>Approval</td>
</tr>
</tbody>
</table>
League President Jay Tibshraeny called the meeting to order at 11:34 a.m.

1. REVIEW AND ADOPTION OF MINUTES OF LEAGUE PROPERTY CORPORATION

Mayor Thomas Schoaf moved to approve minutes of the May 12, 2017 League Property Corporation meeting; Mayor Jenn Daniels seconded the motion and it carried unanimously.
2. PROPERTY CORPORATION BUDGET FOR 2018-2019

Mayor Thomas Schoaf moved to approve the FY19 Property Corporation Budget as recommended by the Budget Subcommittee; Mayor Linda Kavanagh seconded the motion and it carried unanimously.

3. ANNUAL ELECTION OF OFFICERS

Mayor Thomas Schoaf moved to elect the League Executive Committee officers and members as officers and board of directors for the Property Corporation; Mayor Mark Mitchell seconded the motion and it carried unanimously.

Seeing no further business, President Jay Tibshraeny adjourned the Property Corporation Meeting at 11:37 a.m.
Agenda Item #8  Property Corporation Budget for 2019-2020

Summary: The proposed budget for the Property Corporation for the upcoming fiscal year, as recommended by the Budget Subcommittee, is presented for your review and approval. It is identical to the tentative budget presented at the February meeting.

Responsible Person: Mayor Thomas Schoaf, Budget Subcommittee Chairman; Ken Strobeck

Attachment: FY 2019-2020 Recommended Budget and Budget Narrative

Action Requested: Approval
## 2019-2020 Property Corporation Budget

### PROPOSED

#### REVENUES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Income</td>
<td>119,400</td>
<td>129,696</td>
<td>10,296</td>
<td>129,000</td>
</tr>
<tr>
<td>Building Improvement Fund</td>
<td>10,000</td>
<td>10,000</td>
<td>---</td>
<td>10,000</td>
</tr>
<tr>
<td>Interest</td>
<td>50</td>
<td>36</td>
<td>(14)</td>
<td>35</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,500</td>
<td>2,000</td>
<td>500</td>
<td>2,000</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td><strong>130,950</strong></td>
<td><strong>141,732</strong></td>
<td><strong>10,782</strong></td>
<td><strong>141,035</strong></td>
</tr>
</tbody>
</table>

#### EXPENDITURES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting and Auditing</td>
<td>7,400</td>
<td>7,370</td>
<td>(30)</td>
<td>7,400</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>21,000</td>
<td>22,246</td>
<td>1,246</td>
<td>21,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>5,500</td>
<td>5,446</td>
<td>(54)</td>
<td>5,500</td>
</tr>
<tr>
<td>Maintenance Services/Agreements</td>
<td>35,000</td>
<td>35,948</td>
<td>948</td>
<td>36,000</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>5,000</td>
<td>4,275</td>
<td>(725)</td>
<td>5,000</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td>12,000</td>
<td>18,901</td>
<td>6,901</td>
<td>12,000</td>
</tr>
<tr>
<td>Utilities</td>
<td>34,000</td>
<td>33,032</td>
<td>(968)</td>
<td>34,000</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td><strong>119,900</strong></td>
<td><strong>127,218</strong></td>
<td><strong>7,318</strong></td>
<td><strong>120,900</strong></td>
</tr>
</tbody>
</table>

- Rental Income: LACT: $105,000; Press: $24,000
- Building Improvement Fund: 1/2 share of dumpster cost
- Miscellaneous: AGC's 1/2 share of dumpster cost
- Accounting and Auditing: $4620 accountants; $2750 audit
- Capital Outlay: carpet in Dec 2018
- Maintenance Services/Agreements: Parking lot repair $1900; landscape projects $2500; painting $5468

### Revenues Over (Under) Expenditures

- **$11,050**
- **$14,514**
- **$3,464**
- **$20,135**

### Beginning Fund Balance

- **$91,431**
- **$91,431**
- **$105,945**

### Ending Fund Balance

- **$102,481**
- **$105,945**
- **$3,464**
- **$126,080**
PROPERTY CORPORATION FISCAL YEAR 2019-2020

REVENUES

RENTAL INCOME: Revenue from rental of space in the League Building by the League and other tenants is expected to be:

League of Arizona Cities and Towns ($19/sq ft/yr) $105,000
Rural Transportation Liaison (Room 104) 2,400
The Arizona Republic (Room 106) 6,000
Arizona Mirror (Room 105) 9,600
Associated Press (2 desks @ $100 ea/mo) 2,400
Arizona News Radio (2 desks @ $100 ea/mo) 2,400
Capitol Media Services (1 desk @ $100 ea/mo) 1,200
Total $129,000

BUILDING IMPROVEMENT FUND: The League contributes $10,000 into a fund to save for future building improvements such as the replacement of HVAC units.

INTEREST: The Property Corporation’s funds are invested in a high balance savings account. A total of $35 is budgeted for interest earnings for next year.

MISCELLANEOUS: This category includes fees from Associated General Contractors for our shared refuse container and other miscellaneous revenues for a total of $2,000.

TOTAL REVENUES $141,035

EXPENDITURES

ACCOUNTING AND AUDITING: A total of $7,400 is budgeted for the CPA audit of Property Corporation accounts and for monthly accounting services and preparation of audit work papers.

CAPITAL OUTLAY: We will continue to make necessary repairs and improvements to the building. A total of $21,000 is budgeted for this year.

INSURANCE: This item includes building, flood and liability insurance. The total amount budgeted is $5,500.

MAINTENANCE SERVICES/AGREEMENTS: This category includes janitorial services, lawn service and refuse collection plus maintenance agreements for the elevator, air conditioning, parking lot sweeping and pest control for a total of $36,000.

OPERATING EXPENSES: Items in this account include paper goods, soap, light bulbs, air conditioning filters and cleaning supplies not furnished by the janitor. It also includes corporation fees, business license fees and other annual operating costs. The total amount budgeted is $5,000.

REPAIRS AND MAINTENANCE: This budget item provides for the repair and maintenance of the heating and air conditioning system not covered by the maintenance agreement, appliances, plumbing fixtures, the roof, the sprinkler system and other miscellaneous repairs. A total of $12,000 is budgeted.

UTILITIES: The budgeted amount for all utilities is $34,000.

TOTAL EXPENDITURES $120,900
<table>
<thead>
<tr>
<th>Agenda Item #9</th>
<th>Annual Election of Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summary:</strong></td>
<td>The election of officers and the board of directors for the Property Corporation is required annually according to the bylaws.</td>
</tr>
<tr>
<td><strong>Responsible Person:</strong></td>
<td>President Christian Price</td>
</tr>
<tr>
<td><strong>Action Requested:</strong></td>
<td>Approval</td>
</tr>
<tr>
<td>Agenda Item #10</td>
<td>Executive Session Discussion of Executive Director Ken Strobeck’s Employment Contract</td>
</tr>
<tr>
<td>----------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Summary:</strong></td>
<td>The Committee may discuss this matter in executive session pursuant to A.R.S. § 38-431.03(A)(1).</td>
</tr>
<tr>
<td><strong>Responsible Person:</strong></td>
<td>President Christian Price</td>
</tr>
<tr>
<td><strong>Attachment:</strong></td>
<td>Materials will be distributed in executive session.</td>
</tr>
<tr>
<td><strong>Action Requested:</strong></td>
<td>Discussion</td>
</tr>
</tbody>
</table>

*Please return all materials distributed during the executive session.*
Agenda Item #11       Executive Session Discussion of Executive Recruitment

Summary:       The Committee may discuss this matter in executive session pursuant to A.R.S. § 38-431.03(A)(1), (3), and (4).

Attachments:       These attachments are located in a sealed envelope in the back pocket of the binder.

Responsible Person:       President Christian Price

Action Requested:       Discussion
Agenda Item #12  Action on Executive Session Matters

Responsible Person:  President Christian Price

Action Requested:  Possible Action
Additional Informational Materials
Not Part of the Agenda

League Budget Report
Property Corporation Budget Report
## League of Arizona Cities & Towns

**FY 2018-2019 Budget vs. Actual**

*July 2018 through March 2019*

<table>
<thead>
<tr>
<th>Ordinary Income/Expense</th>
<th>Jul '18 - Mar 19</th>
<th>Budget</th>
<th>$ Over Budget</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4000 · Affiliate Group Contribution</td>
<td>91,300.00</td>
<td>136,950.00</td>
<td>-45,650.00</td>
<td>66.7%</td>
</tr>
<tr>
<td>4005 · Annual Conference</td>
<td>535,420.55</td>
<td>400,000.00</td>
<td>135,420.55</td>
<td>133.9%</td>
</tr>
<tr>
<td>4010 · Dues</td>
<td>1,912,145.00</td>
<td>2,057,441.00</td>
<td>-145,296.00</td>
<td>92.9%</td>
</tr>
<tr>
<td>4020 · Miscellaneous</td>
<td>16,261.36</td>
<td>11,000.00</td>
<td>5,261.36</td>
<td>147.8%</td>
</tr>
<tr>
<td>4016 · Partnership Programs</td>
<td>47,458.75</td>
<td>67,500.00</td>
<td>-20,041.25</td>
<td>70.3%</td>
</tr>
<tr>
<td>4030 · Risk Pool</td>
<td>116,826.42</td>
<td>151,000.00</td>
<td>-34,173.58</td>
<td>77.4%</td>
</tr>
<tr>
<td>4035 · Seminars &amp; Meetings</td>
<td>41,460.00</td>
<td>30,000.00</td>
<td>11,460.00</td>
<td>138.2%</td>
</tr>
<tr>
<td>4040 · Interest Income</td>
<td>47,391.72</td>
<td>25,000.00</td>
<td>22,391.72</td>
<td>189.6%</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>2,808,263.80</td>
<td>2,878,891.00</td>
<td>-70,627.20</td>
<td>97.5%</td>
</tr>
<tr>
<td><strong>Expense</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5005 · Annual Conference (Expense)</td>
<td>330,711.86</td>
<td>230,000.00</td>
<td>100,711.86</td>
<td>143.8%</td>
</tr>
<tr>
<td>5010 · Benefits</td>
<td>400,540.34</td>
<td>550,000.00</td>
<td>-149,459.66</td>
<td>72.8%</td>
</tr>
<tr>
<td>5015 · Capital Outlay</td>
<td>5,945.16</td>
<td>20,000.00</td>
<td>-14,054.84</td>
<td>29.7%</td>
</tr>
<tr>
<td>5030 · Equipment Rental &amp; Maintenance</td>
<td>6,963.51</td>
<td>14,000.00</td>
<td>-7,036.49</td>
<td>49.7%</td>
</tr>
<tr>
<td>5035 · Executive Committee</td>
<td>5,001.86</td>
<td>8,000.00</td>
<td>-2,998.14</td>
<td>62.5%</td>
</tr>
<tr>
<td>5050 · Insurance</td>
<td>8,161.25</td>
<td>8,000.00</td>
<td>161.25</td>
<td>102.0%</td>
</tr>
<tr>
<td>5055 · Postage &amp; Shipping</td>
<td>4,565.30</td>
<td>6,000.00</td>
<td>-1,434.70</td>
<td>76.1%</td>
</tr>
<tr>
<td>5057 · PR &amp; Communications</td>
<td>49,178.50</td>
<td>74,000.00</td>
<td>-24,821.50</td>
<td>66.5%</td>
</tr>
<tr>
<td>5060 · Printing</td>
<td>9,457.18</td>
<td>10,000.00</td>
<td>-542.82</td>
<td>94.6%</td>
</tr>
<tr>
<td><strong>Total 5065 · Professional Services</strong></td>
<td>138,584.68</td>
<td>183,000.00</td>
<td>-44,415.32</td>
<td>75.7%</td>
</tr>
<tr>
<td>5065-1 · Accounting Services</td>
<td>35,284.68</td>
<td>48,000.00</td>
<td>-12,715.32</td>
<td>73.5%</td>
</tr>
<tr>
<td>5065-3 · Legal Services</td>
<td>4,750.00</td>
<td>35,000.00</td>
<td>-30,250.00</td>
<td>13.6%</td>
</tr>
<tr>
<td>5065-2 · Contract Lobbying &amp; Cons...</td>
<td>98,550.00</td>
<td>100,000.00</td>
<td>-1,450.00</td>
<td>98.6%</td>
</tr>
<tr>
<td><strong>Total 5065 · Professional Services</strong></td>
<td>138,584.68</td>
<td>183,000.00</td>
<td>-44,415.32</td>
<td>75.7%</td>
</tr>
<tr>
<td>5070 · Rent</td>
<td>78,750.00</td>
<td>105,000.00</td>
<td>-26,250.00</td>
<td>75.0%</td>
</tr>
<tr>
<td>5071 · Salaries</td>
<td>1,059,075.37</td>
<td>1,450,000.00</td>
<td>-390,924.63</td>
<td>73.0%</td>
</tr>
<tr>
<td>5075 · Seminars and Meetings</td>
<td>27,845.57</td>
<td>48,000.00</td>
<td>-20,154.43</td>
<td>58.0%</td>
</tr>
<tr>
<td>5085 · Subscriptions &amp; Dues</td>
<td>51,784.80</td>
<td>62,000.00</td>
<td>-10,215.20</td>
<td>83.5%</td>
</tr>
<tr>
<td>5090 · Supplies</td>
<td>36,690.07</td>
<td>38,000.00</td>
<td>-1,309.93</td>
<td>96.6%</td>
</tr>
<tr>
<td>5095 · Telecommunications</td>
<td>16,846.65</td>
<td>30,000.00</td>
<td>-13,153.35</td>
<td>56.2%</td>
</tr>
<tr>
<td>5100 · Travel</td>
<td>13,983.23</td>
<td>25,000.00</td>
<td>-11,016.77</td>
<td>55.9%</td>
</tr>
<tr>
<td>5115 · Prop Corp-Bldg Improvement ...</td>
<td>10,000.00</td>
<td>10,000.00</td>
<td>0.00</td>
<td>100.0%</td>
</tr>
<tr>
<td>5120 · Reserve Fund Expenditure</td>
<td>177,981.40</td>
<td>180,000.00</td>
<td>-2,018.60</td>
<td>98.9%</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td>2,432,066.73</td>
<td>3,051,000.00</td>
<td>-618,933.27</td>
<td>79.7%</td>
</tr>
<tr>
<td><strong>Net Ordinary Income</strong></td>
<td>376,197.07</td>
<td>-172,109.00</td>
<td>548,306.07</td>
<td>-218.6%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>376,197.07</td>
<td>-172,109.00</td>
<td>548,306.07</td>
<td>-218.6%</td>
</tr>
</tbody>
</table>
## FY 2018-2019 Budget vs. Actual
### July 2018 through March 2019

<table>
<thead>
<tr>
<th>Ordinary Income/Expense</th>
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<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4000 · Rental Income</td>
<td>98,918.40</td>
<td>119,400.00</td>
<td>-20,481.60</td>
<td>82.8%</td>
</tr>
<tr>
<td>4005 · Miscellaneous</td>
<td>10,000.00</td>
<td>1,500.00</td>
<td>8,500.00</td>
<td>666.7%</td>
</tr>
<tr>
<td>4010 · Interest</td>
<td>27.39</td>
<td>50.00</td>
<td>-22.61</td>
<td>54.8%</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>108,945.79</td>
<td>120,950.00</td>
<td>-12,004.21</td>
<td>90.1%</td>
</tr>
<tr>
<td><strong>Expense</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5000 · Maintenance Services/Agreements</td>
<td>29,096.52</td>
<td>35,000.00</td>
<td>-5,903.48</td>
<td>83.1%</td>
</tr>
<tr>
<td>5015 · Utilities</td>
<td>19,145.87</td>
<td>34,000.00</td>
<td>-14,854.13</td>
<td>56.3%</td>
</tr>
<tr>
<td>5020 · Repairs and Maintenance</td>
<td>14,181.06</td>
<td>12,000.00</td>
<td>2,181.06</td>
<td>118.2%</td>
</tr>
<tr>
<td>5025 · Operating Expenses</td>
<td>3,882.09</td>
<td>5,000.00</td>
<td>-1,117.91</td>
<td>77.6%</td>
</tr>
<tr>
<td>5030 · Accounting and Auditing</td>
<td>5,830.00</td>
<td>7,400.00</td>
<td>-1,570.00</td>
<td>78.8%</td>
</tr>
<tr>
<td>5035 · Insurance</td>
<td>4,320.00</td>
<td>5,500.00</td>
<td>-1,180.00</td>
<td>78.5%</td>
</tr>
<tr>
<td>5040 · Capital Outlay</td>
<td>22,245.76</td>
<td>21,000.00</td>
<td>1,245.76</td>
<td>105.9%</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td>98,701.30</td>
<td>119,900.00</td>
<td>-21,198.70</td>
<td>82.3%</td>
</tr>
<tr>
<td><strong>Net Ordinary Income</strong></td>
<td>10,244.49</td>
<td>1,050.00</td>
<td>9,194.49</td>
<td>975.7%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>10,244.49</td>
<td>1,050.00</td>
<td>9,194.49</td>
<td>975.7%</td>
</tr>
</tbody>
</table>