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501 East Thomas Road, Phoenix, Arizona 85012
The theme of this issue of Arizona City & Town is “Cities Mean Business.” If it looks familiar, it should. This is also the theme of our upcoming annual conference in Tucson. As the mayor of Tucson, I take this theme to heart. As the national and Arizona economies begin to show slight signs of improvement, I know that it is the cities and towns in our state that will help to catalyze this recovery. Cities do indeed mean business, and as such, we need to continue to look at innovative ways to cultivate our traditional economic drivers such as tourism, in addition to attracting new and emerging technologies that will spur job creation and economic development in our state. This process begins in our cities and towns.

In addition, “Cities Mean Business” also demonstrates our dedication and commitment to serving our citizens through the most efficient and productive means possible. Each and every day, cities and towns deliver essential services, and create viable and thriving communities where our citizens can live, work and play. For cities and towns, providing a high quality of life is our business.

In this issue of Arizona City & Town, you will find articles on topics that will be explored in more depth at our annual conference later this month. These include an article on Arizona’s economic forecast and the role cities and towns will play in our recovery, as well as the importance of tourism as a vital economic force in our state. I hope you enjoy this issue, and, more importantly, I hope to see you in Tucson on August 30 at our 2011 annual conference.

Robert Walkup
League President
Mayor, City of Tucson
It’s been said before, and it’s absolutely true: cities and towns are the economic engines of the state of Arizona. But what does that really mean? This topic will be explored in the pages of this edition of the League magazine and also at our annual conference in Tucson. If we are going to be successful as a state in attracting new jobs, in growing and diversifying the economy and in recovering from a historically severe recession, we must understand how the Arizona economy actually works.

The numbers are quite amazing. Out of a state with more than 114,000 square miles and a population of around 6.5 million people, more than 5 million — more than 82 percent — live in one of our 91 incorporated cities and towns. And, when it comes to employment statistics, nearly 90 percent of the state’s jobs are based in cities and towns. Together, the economic activity within cities and towns produces around 91 percent of the state income tax and 93 percent of the state’s sales tax proceeds. No wonder that cities and towns mean business in Arizona.

This time around, we must learn from the boom-and-bust cycles of our economic past and capitalize on the opportunities we have before us. Why are cities and towns the center of economic activity in Arizona? Because we have visionary leaders who have helped make our cities attractive places to live, profitable places for businesses to locate, and where the infrastructure and municipal services are of the highest quality and are reliable.

As policymakers at the state level seek to recruit new business to the state and create new jobs and economic opportunity, cities and towns must be an integral part of the effort. The facts speak for themselves.

Working together, we do have an opportunity to retool our economic prospects by attracting a diverse group of industries that may not have considered Arizona before. Great strides are being made in the renewable energy sector, but there are more areas that warrant exploration. We need to capitalize on our proven strengths and expand our horizons to include new businesses that may not have been major players in the state before. Our location in the West makes Arizona an excellent place for transportation hubs, distribution facilities, manufacturing and beyond. These challenging times offer our state an opportunity to redefine our strengths and seize new opportunities.

Whatever the future brings, cities and towns will always be at the forefront of the Arizona economy.

Ken Strobeck
Executive Director
As one of America’s largest industries, the travel and tourism industry has a widespread economic impact. Direct spending by resident and international travelers in the United States averages $1.9 billion a day, $80 million an hour, $1.3 million a minute and $22,300 a second, according to the U.S. Travel Association.

In Arizona, evidence of the economic impact from travel and tourism industry is equally far-reaching. In 2009, more than 35 million visitors experienced Arizona as a leisure and business destination. Direct traveler spending generated $16.6 billion for our state. That is nearly $45 million being contributed to our economy every single day.

This money flowed through the Arizona economy and directly generated more than 157,000 industry-related jobs. Combined with the secondary employment that is generated through this direct traveler spending, total job generation for Arizona equals to 292,000. Direct traveler spending creates $4.7 billion in earnings and $2.4 billion in local, state and federal tax revenues.

Additionally, the tax revenue generated is equivalent to more than $1,000 for every Arizona household. In other words, without the tax revenue generated by travel and tourism, each Arizona household would pay $1,000 more in taxes.

Travel and tourism is the only export-oriented industry in our state generating revenue throughout all 15 counties. Although the industry is represented primarily by businesses in the leisure and hospitality sector, transportation and retail, it reaches far beyond these business sectors. Scores of businesses large and small, such as Jeep tours and boutique stores, exist because of our visitor industry. It also creates business for printers, florists, landscapers, laundry firms and food suppliers that provide goods and services to the direct tourism businesses — all of which work together to keep the travel and tourism industry functioning as a major economic driver for Arizona.

In an effort to increase this economic impact, the Arizona Office of Tourism works to promote Arizona as a premier leisure and business destination to a global audience. Arizona is one of the most vibrant and diverse states in the nation, with unforgettable scenery, thrilling outdoor adventures, rejuvenating resorts and spas, exciting arts and culture, fine dining options, a variety of shopping opportunities and a captivating history.

Through these wonderful characteristics, our agency promotes the opportunity to escape busy lives, to break free of congested traffic, to get away and experience someplace new like Arizona. We promote this to our own residents, to the nation and around the world. We do this because the business of tourism is currently one of the most lucrative businesses in the state!

Whether the traveler is buying gas and snacks at the local convenience store, buying clothes at the local mall or specialty boutique store, paying the entrance fee to one of Arizona’s various statewide attractions, eating the local cuisine at an area restaurant or staying at a local hotel or resort, this economic activity creates a cycle that keeps Arizona’s economy moving in the right direction.
2011 LEAGUE
ANNUAL CONFERENCE
CITIES MEAN BUSINESS

JW Marriott Starr Pass Resort | Tucson, AZ
August 30-Sept. 2, 2011

Tuesday, August 30, 2011
8:00 AM  Golf Tournament
1:30 PM  Resolutions Committee
1:30 PM  National League of Cities Leadership Training Institute
  • Public Engagement: The Vital Leadership Skill
6:00 PM  Welcome Reception

Wednesday, August 31, 2011
8:30 AM  Youth Program Begins
9:00 AM  Opening General Session
  Keynote Speaker - Marshall J. Vest
  Cities Mean Business: The Economic Outlook for Cities and Towns in Arizona
12:00 PM  Lunch is on your own
2:00 PM  Concurrent Workshops
  • State of Public Works – Then & Now
  • Partnering for Success: Urban Land Institute Experts Assisting Local Governments Towards Development Vitality
  • The Arizona We Want: Citizen Collaboration to Create A New Vision for Our State
  • The Council/Manager Partnership: Making Arizona's Cities and Towns Great
    This session is sponsored by the Arizona City/County Management Association
  • Implementation Challenges and Guidelines for Arizona’s New Law on Development Impact Fees
3:30 PM  Concurrent Workshops
  • The Future of Aviation in Arizona
  • The Upside of a Down Economy: Economic Gardening
  • Technology and its Impact on Public Meetings
  • The Art of Innovation in Local Government
  • Youth: The Future of Our Communities
6:00 PM  Showcase of Cities and Towns
Thursday, September 1, 2011

8:00 AM  Spouse Guest Program

8:00 AM  Concurrent Workshops
- Fundamentals of Local Government: Ethics for Local Elected Officials
- International Business Development: Arizona Cities Competing on a National and Global Scale
- Statewide Water Panel Discussion into the Next Century: An Update of the Water Resources Development Commission Efforts
- Budgeting for Outcomes: Identifying Top Priority Programs
  This session is sponsored by the Government Finance Officers Association of Arizona

10:00 AM  Concurrent Workshops
- Fundamentals of Local Government: Open Meeting Law
- Tri-City Council: How Three Communities Pooled Efforts to be an Effective Voice at the Regional and State Level
- ASRS/PSPRS/EORP: Arizona’s Pension System and Cities and Towns
- Community Engagement and its Relationship to Economic Success
- Technology: Serving our Citizens in a New Era

12:00 PM  General Luncheon
- The Governor and the Attorney General have been invited to speak to attendees
- Legislative Recognition

2:00 PM  Concurrent Workshops
- Model City Tax Code and Tax Policy for Cities and Towns
- State Agency Update: Arizona Department of Administration: ProcureAZ for Cities and Towns
- Libraries: Changing our Traditional Service to our Citizens
- Civic Plus: Designing Websites for Cities and Towns

2:00 PM  Affiliate Meetings
- Arizona City Attorneys Association
- Arizona COG Directors

4:00 PM  Annual Business Meeting

6:00 PM  Service Award Dinner and Entertainment

Friday, September 2, 2011

9:00 AM  Tourism and Cities and Towns: A Vital Economic Engine

10:00 AM  Concurrent Workshops
- Tourism Marketing and Branding: Breaking Through the Clutter in Building a Competitive Edge
- Community Outreach: How Communities Can Define their Community’s Tourism Assets and How to Promote Them

11:30 AM  Adjourn Conference
Headwinds Temper Near-Term Outlook for Arizona’s Cities and Towns

by Marshall J. Vest, Director, Economic and Business Research Center, Eller College of Management, University of Arizona

The nation’s economy is performing well, considering a number of factors that are challenging growth, including the dreadful situation for housing, rising prices, supply chain disruptions from disasters in Japan, contractionary effects of reduced state and local government spending and bad weather. Consensus forecasts are for growth to accelerate during the second half and for the economy to grow at almost a 3 percent annual rate over the next two years.

By contrast, Arizona’s economy has been stuck in neutral and bouncing along the bottom since the recession officially ended in June 2009. Only in the past few months has evidence begun to appear that the recovery has finally arrived.

Arizona’s consumers have started to “squeeze the trigger” on spending. Retail sales reached bottom in June of last year and have increased at double-digit annual rates (seasonally adjusted) in each of the past six months (data through February). Auto sales have been particularly strong, registering increases in the 20- to 30-percent range in recent months as consumers satisfy the need to replace aging vehicles. Higher gasoline prices, which climbed in recent months to nearly $4 per gallon, haven’t exerted much constraint on other categories either. Apparel sales are growing by 15 percent to 20 percent, general merchandise sales are growing at a 9 percent to 10 percent annual rate, and even building materials sales are growing at double-digit annual rates. Even furniture and food and liquor-store sales are no longer declining, although the increases remain in the low single-digit range. Restaurant and bar sales also are showing increases in the neighborhood of 20 percent annual rates.

Recent downward revisions to employment show that the jobs recovery in Arizona didn’t start until September of last

ABSTRACT: Arizona’s economy shows evidence that it has finally entered the recovery stage, but serious headwinds will restrain progress. The most serious issue is housing (too much inventory and falling prices). A close second and related issue is the lack of mobility of the population, which will keep population growth depressed for some time. Finally, reduced spending at the state and local levels will subtract significantly from aggregate demand.
year. After falling by 312,000 jobs during the recession, all of 23,500 jobs have been restored. Strong growth in export-based manufacturing is a key component in the nation’s recovery, but manufacturing employment in Arizona remains near cycle lows. After falling by nearly 30 percent, or 60,000 jobs, during the past decade, manufacturing employment is now back to a level that was first attained back in 1980! Only a modest recovery is expected.

Given budget challenges at both state and local levels, government employment statewide has declined by an unprecedented 25,000 jobs so far. Parents also have been sending their children to (privately owned) charter schools, rather than public schools. While private educational services continue growing at double-digit annual rates, public school enrollment actually declined in 2009 and grew very little in 2010 (Exhibit 1).

Exhibit 1: Public School Enrollment Has Declined

With the ending of federal assistance, the state cut $1.1 billion from the FY2011-12 budget. As expected, the cuts came largely from Medicaid ($511 million) and education (K-12 at $163 million and universities at $198 million). Some costs also were shifted to cities and counties. The public sector will continue to be a drag on the economy for the next two to three years as cities struggle to balance their budgets.

The biggest concern and downside risk is the continuation of falling housing prices and large inventory of vacant housing. The 2010 census found 463,000 vacant houses statewide. That’s enough to accommodate an entire decade of population growth at “normal” rates. (During the past decade, Arizona’s population increased by 1.25 million.) Roughly 180,000 of the 463,000 houses are vacation or second homes, so even if the house was occupied, the owners are counted in their home state, and the houses recorded as vacant. Subtracting second homes leaves roughly 280,000, or roughly 10 percent, vacant. Historically, “normal” vacancy rates range between 1 percent and 2 percent for the entire housing stock (and roughly 8 percent for apartments).

Home sales, driven by investor interest, have strengthened in recent months in both the Phoenix and Tucson metro areas. Even so, home prices, as measured by realtor data and Standard & Poor’s Case-Shiller indexes, continue to fall due to the large number of vacant houses and the large portion (more than 55 percent in 2010) that are distressed sales (bank-owned and “short sales”).

We continue to forecast an anemic recovery for the next two to three years due to the drag from the public sector, delayed recovery in construction activity and lack of mobility of the nation’s population, which will depress migration flows and population growth.

After declining in 2010 and experiencing virtually no change in 2011, population will grow by a small amount in 2012. Annual growth won’t top 100,000 until 2014 and is not projected to exceed a 2 percent growth rate until 2015. We expect a little less than 1 million new residents to be added over the decade of the teens, compared to a 1.25 million increase during the aughts. Most of the growth will occur in the latter half of the decade.

Subdued gains in population will limit growth in other aggregate measures as well. Employment will grow very little near-term, and it will be 2015 before job growth tops 3 percent. Personal income will grow 3.3 percent this year, then only 2.7 percent in 2012. The payroll tax cut boosted growth this year and will subtract next year when it expires (contributions to Social Security represent a subtraction from income). After a temporary splurge in spending, retail sales growth will slow next year.

In the longer term, Arizona is expected to return to being one of the fastest-growing states in the nation. By 2020, nearly 7.5 million people will call Arizona home, and by 2040, Arizona will rest among the 10 largest states with more than 10 million people.

Marshall J. Vest is director of the Economic and Business Research Center (EBR) at the University of Arizona’s Eller College of Management. He is an authority on Arizona’s economy and is a consultant to a number of Arizona’s largest companies, Arizona’s governor and the Legislature, as well as a number of local governments. With 30 years heading the College’s Forecasting Project, Marshall has authored more than 175 articles on the economy. Marshall will be the keynote speaker at the League of Arizona Cities and Towns 2011 Annual Conference in Tucson at the JW Marriott Starr Pass Resort on Wednesday, August 31.
Located on the east bank of the Colorado River, Parker, Arizona, is one square mile of paradise. The town of Parker was founded in 1908 after the U.S. Congress carved out one square mile within the Colorado River Indian Tribal Reservation for a railroad depot. Parker was named after Ely Parker, the first Native American commissioner of Indian Affairs. Parker is the county seat of La Paz County, which was formed in 1983 when residents voted to break away from Yuma County, which is located 110 miles to the south.

Parker retains its small-town charm but offers a multitude of year-round recreational activities, including boating, water sports, parasailing, fishing, camping, hiking and golf at the award-winning Emerald Canyon Golf Course, the “Jewel of the Desert.”

The Colorado River dominates the landscape of Parker as it flows along the 16 miles between Parker Dam and Headgate Dam just north of town. The waterway formed between the dams is actually called Lake Moovalya, but everyone simply refers to it as the Parker Strip.

Parker Dam was completed in 1938, and it formed Lake Havasu, a 45-mile reservoir that supplies water to metropolitan areas in both Arizona and California. Parker Dam is the deepest dam in the world, with 235 of its 320 feet resting below the riverbed. The dam’s four hydroelectric generating units supply electricity to Southern California and the Western Area Power Administration (WAPA).

The 16-mile Parker Strip includes numerous RV parks, restaurants, motels and private homes, as well as La Paz County Park, Buckskin Mountain State Park and River Island State Park. The California side of the Parker Strip is reached via Parker Dam Road, which has been designated a National Backcountry Scenic Byway by the Bureau of Land Management. Summer visitors enjoy playing in the Colorado River and Lake Havasu, while thousands of snowbirds flock to the area during the winter months to enjoy Parker’s beautiful winter season.

The Emerald Canyon Golf Course north of Parker was described by Golf Digest as a course that includes “…a fantastic, unusual layout with stunning surroundings.” Emerald Canyon features soaring vistas, deep canyons and beautiful greens surrounded by sheer rock cliffs.

The Sonora Desert surrounding Parker offers thousands of square miles of camping, hiking and off-road trails. There are four off-road races every year, including the legendary Parker 425, a race that draws hundreds of racers and thousands of spectators every February. The Parker 425 starting line is in front of the Parker Area Chamber of Commerce and is the only off-road race in the nation that begins in a downtown area.

1. Parker Strip
2. Emerald Canyon Golf Course
3. Arizona-California Bridge
4. Parker 425
The Swansea Ghost Town southeast of Parker, proclaimed as one of Arizona’s Best Ghost Towns by Arizona Highways magazine, offers visitors a trip back in time to see the remains of a once-bustling mining community. The Bureau of Land Management manages the site, which has picnic and camping areas available.

Parker is home to the Colorado River Indian Tribes, whose reservation surrounds the town and includes 270,000 acres of land in both Arizona and California. The reservation was established in 1865 and includes the Mohave, Navajo, Hopi and Chemehuevi people. The tribe has several business enterprises in the community, including the BlueWater Resort & Casino, an Aztec-themed resort located along the banks of the Colorado River. All 200 rooms at the BlueWater overlook the Colorado River, and the resort includes an indoor water park, a 164-slip boat marina, a movie theater, a miniature golf course, slot machines, a bingo hall and table games, a conference center, several restaurants and an outdoor amphitheater that hosts various special events throughout the year.

The Colorado River Indian Tribes recently relocated their Tribal Museum to downtown Parker. Visitors can view the world’s largest collection of Chemehuevi baskets, along with native pottery, Navajo jewelry, Hopi Kachina dolls and many other artifacts from the four tribes.

Parker was chosen as a War Relocation Center during World War II, and nearly 19,000 Americans of Japanese descent were held at the Poston War Relocation Center in the valley west of Parker. A group of former internees returned to Poston and constructed the Poston Memorial Monument to commemorate their years at the Internment Camp.

The Parker Valley includes more than 80,000 acres of farmland owned by the Colorado River Indian Tribes and irrigated by their allotment of Colorado River water through a system of canals. Annual crop yields include alfalfa, cotton, wheat, corn and melons, among others.

Parker, Arizona, is a great place to stay and play! For more information on Parker, visit www.parkerareatourism.com, or call the Parker Area Chamber of Commerce at (928) 669-2174.
The Yuma Territorial Prison opened its doors on July 1, 1876, to seven inmates who helped build the facility. During the 33 years of its operation, more than 3,000 inmates were housed in the prison, including a total of 29 women, who had been convicted of crimes ranging from theft to murder. Despite its infamous reputation, the prison actually enjoyed many modern amenities that few Yuma residents had access to at the time, including running water pumped from the Colorado River, a sewer system, medical care, electricity and forced-air ventilation. The prison also housed one of the first “public” libraries in the territory, with tour fees charged to visitors used to purchase books. Schooling was also available for convicts, and many learned to read and write in the prison. Though having perhaps less-than-ideal living quarters for inmates, with six men to a cell, prison records indicate the facility was humanely administered and was seen as a model institution for its time.

However, by 1907, the facility suffered from overcrowding and could no longer accommodate the growing number of prisoners in the area. Accordingly, the convicts were tasked with the construction of a new facility in Florence, Arizona. Upon completion, the prisoners were transferred, and the last prisoner left Yuma in fall 1909. Since that time, the prison grounds have served a variety of uses, from the location of Yuma Union High School from 1910 to 1914, to shelter for transients during the Great Depression, a guard tower during World War II and a filming location for old Hollywood Westerns. From 1961 until March 2010, Arizona State Parks operated the prison as a state historic park. Today, the city of Yuma and the Yuma Crossing National Heritage Area jointly manage the Yuma Territorial Prison State Historic Park.
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