

MINUTES
LEAGUE OF ARIZONA CITIES AND TOWNS
EXECUTIVE COMMITTEE MEETING

Friday, May 13, 2022, at 10:00 a.m.
League of Arizona Cities and Towns
1820 W. Washington St.
Phoenix, Arizona

MEMBERS

President

Cathy Carlat, Mayor, Peoria

Vice President

Douglas Nicholls, Mayor, Yuma*

Craig McFarland, Mayor, Casa Grande+
Kevin Hartke, Mayor, Chandler*
Alexis Hermosillo, Mayor, El Mirage+
Paul Deasy, Mayor, Flagstaff +
Brigette Peterson, Mayor, Gilbert+
Jerry Weiers, Mayor, Glendale
Cal Sheehy, Mayor, Lake Havasu City+
Thomas L. Schoaf, Mayor, Litchfield Park+
Ed Honea, Mayor, Marana
Christian Price, Mayor, Maricopa*
John Giles, Mayor, Mesa +

Kate Gallego, Mayor, Phoenix
Stephanie Irwin, Mayor, Pinetop-Lakeside+
Gail Barney, Mayor, Queen Creek*
Tom Murphy, Mayor, Sahuarita*
David Ortega, Mayor, Scottsdale+
Sandy Moriarty, Mayor, Sedona+
Rick Mueller, Mayor, Sierra Vista+
Mila Besich, Mayor, Superior*
Corey Woods, Mayor, Tempe
Regina Romero, Mayor, Tucson*

*Not in attendance

+ Attended via Zoom

President Cathy Carlat called the meeting to order at 10:01 a.m. She then led the Executive Committee in the Pledge of Allegiance.

1. REVIEW AND ADOPTION OF MINUTES

President Cathy Carlat requested a motion on the adoption of the minutes. Mayor Kate Gallego of Phoenix moved to approve the minutes of the February 4, 2022, Executive Committee Meeting; Mayor Ed Honea of Marana seconded the motion and the motion carried unanimously.

2. LEGISLATIVE POLICY OVERVIEW AND SESSION UPDATE

President Cathy Carlat of Peoria introduced and welcomed Legislative Staff to provide a legislative policy overview.

Legislative Director Tom Savage informed the committee that it is the 124th day of the legislative session with 1,780 introduced bills, 233 bills passed, 228 bills signed by the Governor. League staff has weighed in on about 80 bills and testified on 41 measures.

Governor's Budget

Executive Director Tom Belshe commented on the Governor's Budget. The primary expenditure in the Governor's budget is for the Arizona Department of Revenue (AZDOR) integrated tax system project to modernize software. The League will have the opportunity to provide feedback on the new software's procurement process. Legislative Director Tom Savage also noted that this measure may be a state-funded measure.

Legislative Director Tom Savage informed the committee that due to the Arizona Supreme Court's ruling to overturn Proposition 307 and Proposition 208 adopted in the previous legislative session, the initiative to repeal and replace Prop 307 is no longer needed.

Short Term Rentals

A short-term rental work group created by the League has been meeting to draft reforms and provide feedback. Legislative staff have used the workgroup's feedback to negotiate on Senate Bill 1168. This bill will not include density caps on short term rentals due to significant opposition by the short-term rental industry and Arizona Association of Realtors. There is ongoing discussion on the establishment of regulatory license requirements for short term rental operators to enforce city and town codes and ordinances. The League expects the industry will ask for a moratorium on future short-term rental legislation. The League has not agreed to a moratorium. The League did negotiate a compromise amendment that was included in the House of Commerce Committee adopting some of the reforms the League has requested.

Repeal of Residential Rental Tax

Legislative Director Tom Savage reported that a last-minute effort to repeal the residential rental tax has stalled in the House and is not likely to move forward. This repeal effort, if passed, would adversely impact 71 cities and towns across the state who levy this tax.

Street Homelessness

Senate Bill 1581 sponsored by Senator David Livingston copies a bill from the Cicero Institute in Texas which created a grant process for cities and towns to address street homelessness. A two-month negotiation process resulted in improved language and consensus by drafters to allocate \$50 million dollars for a competitive grant process which cities and towns would apply for to fund temporary shelter options. This allocation of money would need to be passed into the budget after adoption. The bill requires cities and towns to agree to reduce street homelessness by 40% within two years. There is no penalty should cities and towns not meet that goal. The bill also has a provision for cities with a population greater than 1 million to establish a special service area, such as the Human Services Campus in Phoenix, that would need to reduce its street homelessness by 50% in that half mile radius within two years. The final copy of the amendment is still underway.

Affordable Housing

House Bill 2674 to establish by right zoning in state statute did not move forward. Instead, it became a member housing supply study committee with an emergency measure. The committee will likely meet after the legislative session to begin a long study on housing shortage and needs.

Fireworks

Senate Bill 1275 sponsored by Senator Mesnard allows cities and towns to restrict the use of fireworks during the hours of 11 p.m. and 8 a.m. except on New Year's Eve and the Fourth of July. This bill was passed by the legislature. An amendment was adopted in the Senate Appropriations Committee stating that on any day of the year, the use of fireworks be allowed if it is related to a religious ceremony. This amendment does not withstand SB 1275 or the city's ability to restrict fireworks during certain hours and in areas of wild and urban interface areas during times of fire danger. The League opposes this amendment as it is problematic for local control.

Vaping/Tobacco Preemption

Senate Bill 1245, which was unfavorable for cities and towns due to preemption, did not pass through the Legislature. House Bill 2125, which was favorable for cities, did not pass through the legislature either. It is unlikely that any bill will move forward on tobacco or vaping during this legislative session.

Pension

Senate Bill 1268 by Senator Livingston would extend the DROP for Tier 1 members in Public Safety Personnel Retirement System (PSPRS) from 60 months to 84 months. The League opposed this bill in the Senate and in the assigned House committee. The bill is now stalled in House Rule and unlikely to move forward.

Prime Contracting and TPT

House Bill 2749 changes the limits for residential jobs to qualify for MRRA. This bill changes the language by stating that if residential jobs don't increase square footage, then they are considered materials only for tax purposes. If this bill passes, communities without material suppliers or retail locations where materials are sold will not see proceeds from taxes as contractors would purchase materials outside the community or state. The League is opposing this bill and does not believe there are enough votes to move it forward.

Trucking Restrictions Arterials

The Arizona Trucking Association drafted preemptive language to undo a city ordinance that restricts truck traffic on Camelback Road, a major arterial in the West Valley. The amendment would significantly affect cities and towns' abilities to restrict traffic on major multijurisdictional arterials and possibly minor arterials. The League is hoping to find a compromise between the involved city and Trucking Association to avoid any preemptive amendments from being added to House Bill 2481.

SB 1487 Expansion

In the previous legislative session, an expansion of SB 1487 that was unfavorable to cities was included in the Governor's Budget but was ruled unconstitutional by the Arizona Supreme Court. Two measures which were meant to accomplish the same expansion of SB 1487 appeared this legislative session. One failed to move forward, and the other failed a legislative vote.

3. FEDERAL POLICY UPDATE

Executive Director Tom Belshe explained that the Federal Government has provided local governments with an unprecedented amount of money through the American Rescue Plan Act. He stated that Deputy Director René Guillen has been pivotal in offering cities and towns continuous reporting guidance. Executive Director Tom Belshe learned from the National League of Cities that Arizona is one of two states that has near perfect compliance on reporting.

Deputy Director René Guillen provided a Federal Policy Update. Regarding ARPA compliance, Arizona has been successful overall in meeting compliance and reporting deadlines despite issues with the Treasury's website. Only seven out of the 68 "non-entitlement units" of local government (NEUs) in Arizona have not yet filed.

Remaining issues include compliance by cities and towns with how funds are spent, as some cities and towns believe funds may be used to cover revenue losses. There is a possibility in the future that any recipient of ARPA funds may use ARPA funds as local dollars for the purpose of matching federal dollars for federal grants.

Deputy Director René Guillen next explained the Infrastructure and Investment in Jobs Act (IIJA) by the federal government. \$5.35 billion dollars in competitive grant funds will become available for transportation usage across the nation, and the Arizona Department of Transportation will be the primary recipient of these dollars. \$8.25 billion grant dollars have been put forth for wildfire resiliency and prevention efforts, and there is great coordination among Arizona agencies and offices to ensure that Arizona secures as much of this funding as possible in the competitive process.

The League created a 2022 League Candidate Survey and asked the Executive Committee to provide this to any candidates in the upcoming election cycle looking for endorsements. The purpose of the survey is to make conversations easier for municipal elected officials to ask where candidates stand on core local issues.

3. LEGAL UPDATE

General Counsel Nancy Davidson provided a legal update.

Amicus briefs may be filed to provide policy arguments on how outcomes in cases will impact the public interest. When cities are involved in lawsuits and cases where the outcome would affect other cities and towns, the committee may file an amicus brief.

Amicus Briefs the League has been working on include the *Southern Arizona Home Builders v. Marana* regarding impact fee authority they adopted due to impact on water and wastewater in cities and towns. *Mountainside v. City of Flagstaff* is a case that affects cities and towns' ability to charge sewer capacity fees under another statute. *Adam v. City of Surprise* is involved in a case which affects cities and towns' rights to immunity in a police shooting case. *Kizzem v. City of Peoria* has to do with a notice of claim statute provision requiring plaintiff to follow certain steps about settlement offers. *AZ GOP v. Hobbs* has to do with whether the Arizona Constitution allows early voting. This case was petitioned directly to AZ Supreme Court and the court denied the petition, stating the case will need to be heard first in Superior court.

General Counsel Nancy Davidson gave an update on the SB 1487 complaint filed with the Attorney General's (AG) office against Paradise Valley regarding short-term rental ordinance. The AG Office concluded that the Town's ordinance mostly complies with state law, and Paradise Valley has since amended its ordinance to address some of the provisions the AG believed violated state law.

Arizona created a task force to amend the rules that apply for city/town attorneys and prosecutors. This is due to complaints filed against the Attorney General that resulted in a confidential divergent agreement. The League recognized that the task force addressing the complaint did not have any local experience and wrote to the Chief Justice to be part of the force. The Chief Justice did not put anyone local on the task force but allowed the League to present to the Task Force.

General Counsel Nancy Davidson overviewed cases from other states include *Shurtleff v. City of Boston* regarding flag raising program at city hall and *City of Austin, Texas, v. Reagan* regarding distinction between on-premises signs and off-premises signs in the city of Austin's sign code and its constitutionality under the first amendment.

4. 2022 LEAGUE ANNUAL CONFERENCE UPDATE

Deputy Director Matt Lore gave an update on the 2022 League Annual Conference to take place August 30-September 2nd at the Renaissance in Glendale, Arizona. Registration will open in late May. Due to limited space at the hotel, there will be special procedures for committee members to pre-reserve rooms at the Renaissance. The League does not pay for rooms for committee members. Each city and town will also be able to pre-reserve two rooms at the Renaissance. Once the room block opens reservations will be on a first come, first served basis.

The League is halfway to its sponsorship goal of \$400,000 dollars in revenue. The League Annual Conference is the organization's second largest revenue source, and sponsorship is very important to cover the costs of conferences and League activities. Deputy Director Matt Lore encouraged the Executive Committee to inform the League of any potential sponsors.

An executive committee member requested that city and town clerks be copied on registration and hotel reservation emails.

5. LEAGUE BUDGET FOR 2022-2023

Executive Director Tom Belshe overviewed revisions of the League Annual Budget for Fiscal Year 2023.

The League contracts with affiliate organizations including the Arizona City/County Manager's Association (ACMA) and Government Officer's Association of Arizona (GFOAz). Updated contracts have resulted in revenue increases for the League.

A revision to the membership dues revenue was made to correct methodology that caused City of Tempe to pay a higher fee than if they were a CAP city.

The League identified cost-savings after ending its partnership with the company Ideas Collide as many of the services they provide can be done in-house.

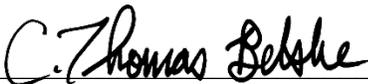
The League contracts with Highground, Inc. and added additional funding to the contract for support on special issues, such as pensions. The League has added a contract with former Scottsdale City Clerk Carolyn Jagger for \$2,000.00 to support League General Counsel.

Due to inflation, expenses such as credit card usage fees and supplies have gone up.

The League has set aside funds to upgrade the League's conference rooms to offer cameras, microphones, closed circuit television from the legislature, and televisions. The League will also invest in upgraded electrical boxes and repairs, and improved parking lots. Estimated costs of electrical upgrades are \$12,000, and the parking lot is \$50,000. The League will use reserve funds for these one-time expenses.

President Cathy Carlat requested a motion on the adoption of the League Budget for 2022-2023. Mayor Jerry Weirs of Glendale moved to approve the League Budget for 2022-2023; Mayor Ed Honea of Marana seconded the motion and the motion carried unanimously.

President Cathy Carlat adjourned the Executive Committee Meeting at 11:16 a.m.



EXECUTIVE DIRECTOR



PRESIDENT