

MINUTES

LEAGUE OF ARIZONA CITIES AND TOWNS

EXECUTIVE COMMITTEE MEETING

Friday, February 10, 2012
League of Arizona Cities and Towns
1820 West Washington Street
Phoenix, AZ 85007

MEMBERS

President

Vice President

Doug Von Gausig, Mayor, Clarkdale

Treasurer

Mark Mitchell, Councilmember, Tempe

Marie Lopez Rogers, Mayor, Avondale
Jay Tibshraeny, Mayor, Chandler
Gilbert Lopez, Councilmember, Coolidge
Lana Mook, Mayor, El Mirage
Elaine M. Scruggs, Mayor, Glendale
Fernando Shipley, Mayor, Globe
John Salem, Mayor, Kingman
Mark Nexsen, Mayor, Lake Havasu City

Thomas L. Schoaf, Mayor, Litchfield Park
Scott Smith, Mayor, Mesa*
Kenny Evans, Mayor, Payson*
Bob Barrett, Mayor, Peoria
Greg Stanton, Mayor, Phoenix*
Harvey Skoog, Mayor, Prescott Valley
Lynne Skelton, Mayor, Sahuarita
W.J. "Jim" Lane, Mayor, Scottsdale
Rob Adams, Mayor, Sedona
Gerry Whipple, Councilmember, Show Low
Rick Mueller, Mayor, Sierra Vista*
Bob Rivera, Mayor, Thatcher
Jonathan Rothschild, Mayor, Tucson*
Alan Krieger, Mayor, Yuma

**Not in attendance*

Vice President Doug Von Gausig called the meeting to order at 10:05 a.m. He welcomed everyone and announced that Senator Steve Pierce would be stopping by at some point during the meeting, and at this time the agenda will be suspended to let him speak and answer questions. Von Gausig then led the committee in the Pledge of Allegiance.

1. REVIEW AND ADOPTION OF MINUTES

Vice President Doug Von Gausig asked for review and approval of the minutes as presented. Mayor Adams motioned that the minutes of the November 4, 2011, Executive Committee meeting be approved. Mayor Skoog seconded the motion and it carried unanimously.

2. LEGISLATIVE REPORT / BUDGET UPDATE

Vice President Von Gausig recognized League Executive Director Ken Strobeck to provide a legislative report. Mr. Strobeck acknowledged the League's legislative team for keeping up with the fast moving bills through the Legislature. Additionally, Mr. Strobeck noted that committees were also adding long addendums after the agenda deadline, forcing the League to respond quickly. Mr. Strobeck then called upon Legislative Director Jim Ogsbury to report on the legislative session in more detail.

Mr. Ogsbury stated that next week would be the final week for committees to hear bills in their house of origin. He noted that the past Monday was the bill introduction deadline in the House and the Senate's introduction deadline was the week prior. Mr. Ogsbury reported that 1,507 bills, memorials and resolutions were introduced totaling 11 more than last year. Despite the higher total number of introductions, there had not been as many measures as last year that have drastic impacts on municipalities; a striker amendment, however, can show up any time.

Mr. Ogsbury reported that there were a large number of bills this year that the League supports. The League is working with the majority party on legislation that will help cities and towns, including legislation that will: permit cities and towns to regulate the sale of fireworks; authorize cities and towns to form revenue allocation districts, "tort reform," repeal the authority of the Arizona Department of Water Resources (DWR) to levy a fee on cities and towns; and establish an online portal system for the collection of sales taxes. At the same time, the League had been improving its legislative relationships. Mr. Ogsbury reported, however, that some harmful legislation has been introduced, including SB 1064, the Liberty Charter bill, which permits unincorporated areas of a county to adopt this model charter notwithstanding existing law. Also, a number of bills that consolidate elections have been introduced. Mr. Ogsbury said that among the worst of the bad bills is HB 2815 – Regulatory Tax Credits – which establishes a tax credit for the cost of "excessive regulations."

Mr. Ogsbury acknowledged the effective work of the legislative team and intergovs at the Legislature. He discussed how a retooled Friday intergov meeting has proven to be more efficient and successful at coordinating lobbying efforts at the Capitol. He stated that legislators have been more positive and engaging; they care about what the League thinks. Mr. Ogsbury credited the engagement of cities and towns for making the difference. As an example, Mr. Ogsbury noted that 45 members—half of the Legislature—signed on as co-sponsors to SB 1288, Senator Gail Griffin's bill to repeal the Arizona Department of Water Resources (ADWR) water assessment fee. The League has also had more cities and towns sign on to the Request to Speak system this year.

Executive Director Ken Strobeck lauded the Legislative Team's efforts. Mr. Strobeck stated that the team reviews bills daily, hold strategy sessions every day, and diligently meets with members of the Legislature. Lastly, Mr. Strobeck mentioned that legislators are working on the budget and that the League believes it may have a reduction in the HURF-to-MVD shift against cities and towns but likely will have no changes to the DPS amount.

3. UPDATE ON TAX CODE UNIFORMITY

Vice President Von Gausig recognized Executive Director Ken Strobeck to report on the progress of sales tax code uniformity. Mr. Strobeck said that Deputy Director Tom Belshe had been making progress with streamlining the Model City Tax Code and discussions on legislative proposals for a single portal for businesses to pay taxes to cities that collect their own sales taxes. Mr. Strobeck then recognized Mr. Belshe to

report on tax code uniformity efforts. Mr. Belshe reported that at the end of last year, the Unified Audit Committee (UAC) started working with individual cities and towns on unique Model City Tax Code language. He noted that the Model City Tax Code language is at times unique to a community, which causes problems for those businesses working in multiple jurisdictions, and that the UAC has been working with those individual cities to remove such language.

Mr. Belshe added that the UAC is reviewing the “local” and “model” options that exist in the tax code. They are going to submit a list of those “local” and “model” options that are no longer viable to the Municipal Tax Code Commission and suggest that they be removed from the code. Mr. Belshe stated that they are working on removing the distinction between local and model options. Local and model options will now simply be called “options” and will be renumbered.

Additionally, Mr. Belshe said that Rep. Rick Gray and Rep. Jeff Dial introduced legislation requiring that self-collecting cities provide one location for multijurisdictional businesses to remit sales taxes online. Instead of going to various city or town websites to make payment, the business will only have to go to one location or “portal” to pay. Additionally, the UAC will interview six vendors to determine the technical requirements for such a system, including the security of information from the taxpayer. Mr. Belshe said the UAC will take this information and make recommendations to the Department of Administration. The Department of Administration will conduct the procurement for the vendor that will develop the “portal.”

Finally, Mr. Belshe reported that the League has been working with Michael Hunter of the Governor’s Office on the TPT Simplification Tax Force. Mr. Belshe said he along with other municipal employees from Chandler and Gilbert will be participating in the Governor’s TPT Simplification Tax Force. The idea of the TPT Tax Force is to possibly expand the existing tax base in order to lower sales tax rates. He added that the Governor’s Office and the League share a determination that the Department of Revenue (DOR) improve the program for the collection of sales tax for cities and towns. Additionally, Mr. Belshe reported that the federal government is also moving closer to a national program for taxing online retailers.

Mayor Lane asked about the federal government’s process for payment from online retailers. Mr. Belshe responded that process would be state-by-state so it would set the requirements and uniform process for each state. Mr. Belshe added that the three requirements for each state would be a uniform definition on what constitutes retail; a single point of audit; and a single point of collection. Mr. Belshe said that the National League of Cities and Amazon are in support of this Senate measure and the measure seems to be making progress.

Mayor Adams asked if cities and towns would have an opportunity to collect local sales tax. Mr. Belshe responded that each individual municipality would be able to collect their local tax at the existing local rate. The timeline for the Senate measure depends on the federal government and the League has continued to hear that this process will be done soon.

Next, Mayor Scruggs asked if the end objective of expanding the tax base was to lower tax rates and if services would be taxed. Mr. Belshe responded that he was unsure and noted that the Governor’s Office wishes to consider current exemptions first. Mayor Scruggs also asked what efforts were made by the Legislature or the governor’s staff to reach out to small businesses to be part of this discussion. Mr. Belshe responded to Mayor Scruggs noting that they would work on representing small businesses.

Vice Mayor Lopez asked Mr. Belshe what the other large retailers were on board. Mr. Belshe responded that he was unsure on the stance of other large retailers, with the exception of Amazon, but he would obtain this

information and report back to the mayor. Finally, Vice President Von Gausig recognized Mr. Belshe and the League in making a collaborative effort in working with ATRA and building a better relationship.

Mr. Strobeck also pointed out that Michael Hunter of the Governor's Office believes that as we explore uniformity of the state tax base and the local sales tax base, consideration should be given not only to making the cities and towns more like the state but the state more like the cities and towns. Additionally, Mr. Strobeck said there has been a lot of discussion about the online retail sales tax topic, so a representative with Amazon has been invited to discuss this further.

Vice President Von Gausig then recognized Don Isaacson of Isaacson & Moore, P.C., representative for Amazon.com, to speak on the Federal legislation and their position. Mr. Isaacson said that Amazon opposes a bill in the Legislature, SB 1338, that would attempt to impose a sales tax liability on sales in Arizona. Mr. Isaacson then provided a background on the history of the Quill decision and how it has shaped current law regarding Internet sales. Mr. Isaacson then discussed Amazon's stance about a bill, S. 1832, that is currently in Congress. He said that S. 1832 is simpler and has a more uniform approach to taxation and will be beneficial to municipalities and states around the country.

4. REPORT FROM COMMUNICATIONS SUBCOMMITTEE

Vice President Von Gausig recognized Mayor Salem to report on the Communications Subcommittee. Mayor Salem reported that during the Executive Committee retreat, the Executive Board discussed ways to more efficiently get messages out to constituents, citizens, and businesses when there is a mandate hampering local control, as people should know it has a direct impact on the municipal level. Mayor Salem noted that in the past the League had programs to reach out to municipalities such as the "Strong Cities Make A Strong State" program. He added that they are currently working with a media relations firm, Scutari & Cieslak, to use social media, op-eds, and other tools to spread the message. Mayor Salem reported the committee had a budget of \$40,000 this year. Vice President Von Gausig added that Scutari & Cieslak had been working to secure several interviews over the last week, including one with the *Arizona Capitol Times*.

4a. SENATE PRESIDENT STEVE PIERCE

At this time, the report was suspended to recognize Senate President Steve Pierce. Vice President Von Gausig recognized Senator Pierce and asked him discuss progress at the Legislature. Senator Pierce noted that the Legislature is currently working on the budget. He noted the importance of having state lawmakers from rural Arizona in the Legislature. Vice President Von Gausig asked Senator Pierce what the League can do for him to help maintain their good relationship. Senator Pierce followed by explaining that politics is all about compromising and it is important to fix issues rather than going around them. Senator Pierce added that he is trying to give everyone the opportunity to be heard. Additionally, he said that Arizona should promote business and encourage people to move to the state, rather than California and Texas.

Mayor Adams asked about trickle-downs from the budget for cities and towns. Senator Pierce said cities and towns need to be prepared to get by with less, regardless of who gets the presidency. Senator Pierce also expressed the importance of the governor getting the budget in order. He stated that the governor proposed spending more than the Senate, so their number will probably end up in the middle. Vice President Von Gausig said bringing jobs to Arizona is a big thrust this year and they are working with cities and towns to support their chambers of commerce to promote business.

Mayor Bob Rivera thanked Senator Pierce for coming to the meeting. He then asked what Senator Pierce's stance would be if a bill came up to cut shared revenues. While Senator Pierce did not think this would happen, he did not agree with cutting shared revenues. He added that the Governor's budget includes \$200 million in sweeps. Mayor Scruggs also thanked Senator Pierce for attending the meeting, and for his service and working with cities and towns, particularly related to two bills from last session. Lastly, Senator Pierce said to inform him of any bills League members are concerned about. After Senator Pierce concluded his discussion, the agenda resumed.

Vice President Von Gausig continued the report and introduced Chip Scutari and Dave Cieslak from Scutari & Cieslak. League Executive Director Ken Strobeck added that the League now has Monday phone calls with mayors, managers, and council, to give updates on legislative activity. He said the Monday calls are going well and noted that as many as 40 cities and towns had called in; he thanked everyone who had been participating. Mr. Strobeck said as issues come up at the legislature they will distribute one-page talking points for speaking to constituents on these issues, while informing people on how to take action, so members are all using the same message when talking to the legislators.

5. REPORT FROM BUDGET SUBCOMMITTEE

Vice President Von Gausig then called on the chair of the Budget Subcommittee, Mayor Nexsen, to provide an update on the subcommittee's efforts. Mayor Nexsen reported that the proposed dues schedule is based on the 2010 Census, so some cities will see decreases, some minor increases in League dues. Mayor Nexsen asked if there were any modifications to the draft budget at this time and noted the subcommittee wished to adopt the dues structure that day. He added that there are small salary increases budget that range from 2-3 percent and a 2.8 percent increase for graphic consulting due to a transfer from another budget line.

Mayor Nexsen said that included in the packets are two budgets: the main budget and the property corporation budget. A member expressed concern over the Valley Schools Health Insurance program because of legal issues that were brought forth in the past. League Executive Director Ken Strobeck said that since then, Valley Schools has changed personnel and started a new health insurance program. He said that in most cases, the Valley Schools Health Insurance program allows cities to keep its current carrier, but members can still join the pool for lower rates. Mr. Strobeck said that the League could outline a list of services offered by Valley Schools to have further discussion if it would be helpful for the committee.

Discussion ensued among members, and the committee asked Mr. Strobeck to compare League employee benefits to what other state leagues, as well as Arizona cities and towns offer employees. Mr. Strobeck said he would gather the information and would discuss it with the Budget Subcommittee. Another member also suggested bringing in a report of what other cities and towns are doing with their health and dental coverage for employees. Vice President Von Gausig said he will bring this to the Budget Subcommittee and have them report on it at the next meeting. Mayor Nexsen said he appreciated the input of concerns and that the budget would not be approved at the February 10 meeting, but in May.

Mayor Rivera asked what the costs and benefits were for the League magazine. Mr. Strobeck followed by stating that the League has a contract with a company that sells advertisements that covers all of the magazine costs. Vice President Von Gausig added that they looked at other publications, like the directory, to see how they are paid for and what the costs are.

Lastly, Mayor Scruggs then asked if there was money set aside for legal fees and any unexpected legal issues. Mr. Strobeck said that in the packet given to the committee, there is a sheet that has the amount that is set aside for legal fees. Finally, Mayor Nexsen noted to members that the budget is relatively conservative.

Vice President Von Gausig asked for a motion to adopt the FY13 dues recommended by the Budget Subcommittee. Vice Mayor Skelton motioned for approval. Mayor Rivera seconded motion and it carried unanimously.

6. ELECTION OF OFFICERS

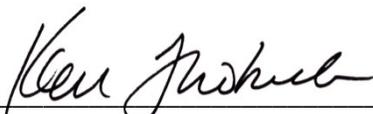
Vice President Von Gausig opened the floor for the presidential nomination. Mayor Adams moved the nomination of Vice President Von Gausig as president. Councilmember Lopez seconded the motion and it carried unanimously.

President Von Gausig proceeded with the nomination of League vice president. Mayor Tibshraeny moved to nominate Councilmember Mitchell as vice president. Mayor Rivera seconded the motion and it carried unanimously. Mayor Lopez asked what would happen if Mayor Mitchell does not win the mayoral race since that would remove him from the Executive Committee. Councilmember Mitchell responded that he would no longer be on the Executive Committee then the committee would vote for a replacement.

Lastly, President Von Gausig moved to the nomination of Treasurer. Both Mayor Tibshraeny and Mayor Nexsen expressed interest to serve as treasurer. President Von Gausig opened the floor for both mayors to speak on their interest in the position. After discussion, President Von Gausig called for a vote. The final vote of 14-4 elected Mayor Tibshraeny as treasurer of the League.

7. OTHER BUSINESS

Seeing no other business, President Von Gausig adjourned the meeting at 12:07 p.m.



EXECUTIVE DIRECTOR



PRESIDENT