

**MINUTES**

**LEAGUE OF ARIZONA CITIES AND TOWNS**

**EXECUTIVE COMMITTEE MEETING**

Friday, May 13, 2016 at 10:00 a.m.  
League of Arizona Cities and Towns  
1820 W. Washington St.  
Phoenix, Arizona

**MEMBERS**

**President**

Mark Mitchell, Mayor, Tempe

**Vice President**

Jay Tibshraeny, Mayor, Chandler

**Treasurer**

Mark Nexsen, Mayor, Lake Havasu City

Doug Von Gausig, Mayor, Clarkdale\*  
Gilbert Lopez, Councilmember, Coolidge  
Lana Mook, Mayor, El Mirage  
Gerald Nabours, Mayor, Flagstaff\*  
Linda Kavanagh, Mayor, Fountain Hills  
John Lewis, Mayor, Gilbert

Jerry Weiers, Mayor, Glendale  
Thomas L. Schoaf, Mayor, Litchfield Park  
Ed Honea, Mayor, Marana  
Christian Price, Mayor, Maricopa  
John Giles, Mayor, Mesa  
Kenny Evans, Mayor, Payson  
Cathy Carlat, Mayor, Peoria  
Daniel Valenzuela, Vice Mayor, Phoenix+  
Harvey Skoog, Mayor, Prescott Valley  
W.J. "Jim" Lane, Mayor, Scottsdale\*  
Daryl Seymore, Mayor, Show Low  
Rick Mueller, Mayor, Sierra Vista  
Sharon Wolcott, Mayor, Surprise  
Bob Rivera, Mayor, Thatcher  
Jonathan Rothschild, Mayor, Tucson  
Douglas Nicholls, Mayor, Yuma

*\* Participated via phone  
+ Not in attendance*

League President Mark Mitchell called the meeting to order at 10:05 a.m.

President Mitchell recognized League Treasurer and Lake Havasu City Mayor Mark Nexsen, congratulating his city of Lake Havasu City as being one of the finalists in the America's Best Communities Award.

**1. REVIEW AND ADOPTION OF MINUTES**

Mayor Harvey Skoog moved to approve minutes from the February 12, 2016 Executive Committee Meeting; Mayor Jonathan Rothschild seconded the motion and it carried unanimously.

**2. LEGISLATIVE REPORT AND NEW LAWS UPDATE (Including Budget)**

President Mark Mitchell welcomed League Executive Director Ken Strobeck to present the Legislative Report.

Executive Director Strobeck informed the Executive Committee that the legislature had adjourned the previous Saturday. He also thanked all the members of the Executive Committee, intergovs and League legislative staff for their work during the session.

Mr. Strobeck then invited League Legislative Director Patrice Kraus to present on particular bills of note from the legislative session.

Legislative Director Kraus reminded the Executive Committee that during the session, the League's main focuses are local control and protection of shared revenue, followed by the pursuit of League resolutions. She noted that local control took a bit of a hit this year, but that the League was able to protect shared revenues in the budget and was able to get a majority of the resolutions passed.

Ms. Kraus covered high-profile issues that came up during the legislative session that were of particular note to the League.

The residential rental bill was an issue early on in the session, which would have eliminated the ability to collect transaction privilege tax on rental activity. The bill failed; however, Ms. Kraus noted that it was likely a form of the bill would come up again in future legislative sessions. She also covered a potential bill that would have changed how Communities Facilities Districts are formed and could have given control of them to developers. The governor vetoed this bill and the League will work with developers over the interim to address their concerns.

Additionally, Ms. Kraus covered a bill related to Airbnb, noting that while cities and towns were preempted from banning their activities, the League had been able to negotiate inclusion within the statute for some protections, allowing for cities and towns to use existing ordinances to manage the negative impacts of these short-term rentals. Cities and towns will also receive tax revenue from these rentals after League negotiators were able to include that language in the bill as a tradeoff for the preemption on local bans.

She also mentioned SB 1487, which says that if a legislator perceives a city or town doing something in violation of a law, they can file a complaint with the Attorney General that may result in the withholding of state shared revenue. It was questioned what types of activities the legislature would be looking at specifically. Ms. Kraus indicated that the bill sponsor, Senate President Biggs, had mentioned gun laws, plastic bag laws, and not posting budgets on city/town websites as examples. Additionally, she reminded the Executive Committee that local wage and employment benefits laws were also items of note Governor Ducey had laid out in his State of the State address. The Executive Committee would further discuss this bill and our legal options regarding it.

In addition to covering bills of importance, Ms. Kraus discussed the budget, noting that cities and towns were treated fairly well. As always, there was the HURF shift to pay for DPS operations, however, cities and towns did receive some general fund money that will be distributed similarly to HURF.

Ms. Kraus then covered successful bills, including the PSPRS reform bill, which she reminded the Executive Committee, was developed out of the taskforce that the League had put together. A lot of the information developed through the taskforce ended up incorporated into the bill. She also covered the census bill, which was passed on the last night of the session. This is the bill that was a negotiated agreement among cities and towns, allowing for the use of US Census Bureau annual estimates to determine state shared revenue instead of moving forward with the process of a mid-decade census.

Other bills of note that the League worked on included telecommunications bills, those relating to water rates and purchasing of water companies, and drone regulation. In addition, Ms. Kraus noted that there was a large elections bill passed during the session and the League is sorting through the language of the bill and expects to see some cleanup of the bill within the next year.

President Mitchell thanked Legislative Director Kraus and the legislative team for their work during the session. He reminded the Executive Committee that action alerts had been sent out to members on bills of top priority and asked the members if they found those notifications helpful. It was determined that the alerts were helpful and if legislative schedules permitted, the League would send out these notifications in a timely manner.

### **3. CONSTRUCTION SALES TAX TASK FORCE**

President Mark Mitchell recognized League Executive Director Ken Strobeck to discuss the construction sales tax task force.

Executive Director Strobeck told the Executive Committee that there would likely be interest in introducing a construction sales tax reform bill again this year. A bill was introduced by Representative Cobb this year, focusing on a pure point-of-sale system. He said that the industry is interested in going a similar system and the League hopes to develop an alternative vision.

Executive Director Strobeck welcomed Legislative Director Patrice Kraus to present on the taskforce.

Legislative Director Kraus reminded the Executive Committee that Representative Cobb had introduced a bill regarding TPT simplification. The part of the original bill that wasn't simplified was related to construction sales tax, which has now become very complicated, causing more pressure from the industry to fix the system. There is also a lot of pressure from the industry to move to a pure point-of-sale on materials only, which she acknowledged would be very costly to cities and towns.

Ms. Kraus said that Mr. Strobeck, in addition to League Deputy Director Tom Belshe, Tax Policy Analyst Lee Grafstrom and Legislative Associate Dale Wiebusch, had been working with her on developing a structure for a taskforce. The group had determined some suggested membership and would be working on something in the interim. Ms. Kraus also said she had been discussing the matter with Senator Lesko who was anxious to see that the taskforce develops.

She indicated that the purpose of the taskforce would be to create a long-term sustainable process for the construction sales tax that will give steady source of income and revenue.

President Mitchell asked Ms. Kraus about interaction from the industry and their involvement on this taskforce.

Ms. Kraus informed the Executive Committee that she had previously held conversations with representatives from both the homebuilders association and the commercial builders. Just like the PSPRS taskforce, the actual taskforce will be made of internal city and town individuals associated with the League who would draft a proposal. Members of the industry and outside parties will be invited to review and provide feedback, as it is imperative to have their input before developing a formal recommendation.

Gilbert Mayor John Lewis inquired about receiving data to present when discussing this issue with legislators.

Ms. Kraus informed the Executive Committee that one of the main challenges of this issue is that there is not much data available, as it has never been tracked what the impact would be should communities go to pure point-of-sale. She noted that developing data would be a project of the task force.

Maricopa Mayor Christian Price additionally inquired about a one percent cap issue, which is something that is impacting more communities.

League Deputy Director Tom Belshe responded to Mayor Price that the League had been working with the County Supervisors Association on this issue, indicating that the counties are interested in having cities and towns participate in the discussion of this issue. The League will keep the Executive Committee apprised of the activity.

#### **4. POLICY COMMITTEE REPORT**

President Mark Mitchell recognized League Legislative Director Patrice Kraus to present the Policy Committee Report.

Legislative Director Kraus informed the Executive Committee that a meeting of the Transportation, Infrastructure and Public Works Policy Committee had recently met and a particular item from Paradise Valley had been discussed regarding the high cost of the Arizona Department of Transportation administering federally-funded local projects. She noted that there had been a lot of interest in this subject.

Ms. Kraus said that she will be speaking with the councils of governments about the issue. She indicated that there were a few ideas that can be explored within the committee and a workgroup will be put together. She believed there can be a non-legislative solution, so it likely won't be turned into a resolution at this time.

President Mitchell asked the policy committee chairs who were present for feedback on the policy committee process; all agreed that it was going well. He reminded the Executive Committee that the new process gets communities engaged in the resolutions process.

#### **5. TPT IMPLEMENTATION UPDATE**

President Mark Mitchell recognized League Deputy Director Tom Belshe to present a TPT Implementation Update.

Deputy Director Belshe reminded the Executive Committee that the Department of Revenue had a new director who had been enforcing new changes and forming a better working relationship with the League.

Mr. Belshe informed the Executive Committee that the staff implementing the changes to the tax program is progressing and it is expected that the TPT 2 forms will be tested beginning in June. He also noted that an additional form had been created for those businesses that don't use a lot of deductions, making it easier for them to complete.

Mr. Belshe also informed the Executive Committee that one of the outcomes of the meeting with representatives from Airbnb on that previously discussed bill was a conversation with the residential relator industry about the concept of having property managers remit taxes for all their customers. He said that the League had been talking for years about creating an electronic system for this and DOR is now committed to help create that system.

## **6. BALLOT MEASURES**

President Mark Mitchell recognized League Executive Director Ken Strobeck to introduce the agenda item on ballot measures.

Executive Director Strobeck informed the Executive Committee that there had been about 34 ballot propositions which have been issued applications and some could appear on the November ballot and some could impact cities and towns.

Mr. Strobeck informed the committee that an initial proposition regarding clean and accountable elections had included language that would eliminate the ability for city/town elected officials or employees to communicate with the legislature. Mr. Strobeck reached out to the organization and the language has since been removed. He reminded the Executive Committee that one of the dangers of these initiatives is that there is no vetting or hearing process so they needed to continue to be vigilant when reading through these.

Mr. Strobeck also reminded the committee that the election on Propositions 123 and 124, both supported by the League, would be voted on during the following Tuesday's election. He said they would be watching the election closely.

## **7. LEAGUE BUDGET FOR 2016-2017**

President Mark Mitchell recognized Budget Subcommittee Chairman Mayor Thomas Schoaf to present on the League Budget for 2016-2017.

Mayor Schoaf presented to the Executive Committee the proposed budget for 2016-2017.

He commented that, depending on potential legal expenses, there may need to be an adjustment to that particular line item in the future.

Mayor Thomas Schoaf made a motion to approve the 2016-2017 League Budget; Mayor Daryl Seymore seconded the motion and it carried unanimously.

## **8. 2016 LEAGUE CONFERENCE UPDATE**

President Mark Mitchell recognized League Communication and Education Director Matt Lore to give an update on the 2016 League Conference.

Communication and Education Director Lore reminded the Executive Committee that this year's League Annual Conference would be held August 23 – 26 in Scottsdale. Mr. Lore noted that a group consisting of city and town elected officials, Executive Committee members, and city and town staff

had met in March to propose ideas for the conference. He thanked Executive Committee members who had participated.

Mr. Lore also told the Executive Committee that \$112,000 had been collected in sponsorship, which is just over halfway to the targeted amount of \$200,000. He reminded the Committee that the conference is the League's second largest revenue source and sponsorships are a considerable portion of this revenue. Mr. Lore asked members of the Executive Committee to let the League Staff know of additional companies or organizations they would like the League to contract regarding sponsorship opportunities.

Scottsdale Mayor Jim Lane told the Executive Committee that the City of Scottsdale was excited to host the conference again.

### **9. EXECUTIVE SESSION: LEGAL ADVICE**

President Mark Mitchell informed the Executive Committee that they would bypass this agenda item until the end of the meeting.

### **10. EXECUTIVE DIRECTOR REPORT**

President Mark Mitchell recognized League Executive Director Ken Strobeck to present the Executive Director Report.

Executive Director Strobeck informed the Executive Committee that he had been working with many partners, particularly Yuma, to create a solution to current indemnity language within contracts with ADOT. He noted that cities and towns were required to sign a contract with ADOT that would require them to indemnify all of ADOT's contractors, subcontractors and employees for negligence when a transportation project is in the city. He said that through a series of meetings, they were able to get ADOT to agree to a change in the language.

The committee moved to adjourn the Executive Committee meeting and reconvene into the League Property Corporation.

President Mark Mitchell adjourned the meeting at 11:06 a.m.

  
\_\_\_\_\_  
EXECUTIVE DIRECTOR

  
\_\_\_\_\_  
PRESIDENT