

# MINUTES

## LEAGUE OF ARIZONA CITIES AND TOWNS

### EXECUTIVE COMMITTEE MEETING

Friday, November 4, 2016 at 10:00 a.m.  
League of Arizona Cities and Towns  
1820 W. Washington St.  
Phoenix, Arizona

#### MEMBERS

##### **President**

Jay Tibshraeny, Mayor, Chandler

##### **Vice President**

Mark Nexsen, Mayor, Lake Havasu City

##### **Treasurer**

Christian Price, Mayor, Maricopa

Doug Von Gausig, Mayor, Clarkdale  
Gilbert Lopez, Councilmember, Coolidge  
Lana Mook, Mayor, El Mirage  
Gerald Nabours, Mayor, Flagstaff  
Linda Kavanagh, Mayor, Fountain Hills  
Jenn Daniels, 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\*  
Mark Mitchell, Mayor, Tempe  
Jonathan Rothschild, Mayor, Tucson  
Douglas Nicholls, Mayor, Yuma

\* *Participated via phone*

+ *Not in attendance*

League President Jay Tibshraeny called the meeting to order at 10:00 a.m.

President Tibshraeny thanked Tempe Mayor Mark Mitchell for his service the last two years as League President. He notified the Executive Committee that Mayor Mitchell would be continuing his role with the Business Roundtable, which has served as an effective tool for interaction between the League and local business organizations.

President Tibshraeny also welcomed Mayor Jenn Daniels of Gilbert as the newest member of the League Executive Committee.

President Tibshraeny reminded the Executive Committee that the League Strategic Plan had not been updated for several years and that he would like to further discuss the goals and priorities of the League. He proposed hosting a workshop in the first quarter of 2017 that would involve the Executive Committee to review and refine the current priorities of the strategic plan.

## CONSENT AGENDA

1. REVIEW AND ADOPTION OF MINUTES
2. REPORT ON CITIES AND TOWNS WEEK 2016
3. LEAGUE ANNUAL SURVEY RESULTS
4. 2015-2016 AUDIT REPORT
5. BMO HARRIS P-CARD PROGRAM

Mayor Kenny Evans moved to approve the consent agenda; Mayor Mark Nexsen seconded the motion and it carried unanimously.

## 6. LEGISLATIVE POLICY DISCUSSIONS

**SB 1487 Developments** – President Tibshraeny introduced League Executive Director Ken Strobeck to present on developments of Senate Bill 1487. Executive Director Strobeck told the Executive Committee that there had been several developments since their last meeting when a complaint was issued against the Town of Snowflake by Representative Boyer. Mr. Strobeck informed the Committee that the Attorney General’s findings had been that Snowflake may have violated the state law by passage of an ordinance relating to a marijuana growing operation. The town rescinded the ordinance and the AG issued a letter dropping the case. He noted that a new complaint had been issued against the City of Tucson by Representative Finchem regarding the city’s gun disposal program. Mr. Strobeck told the Executive Committee that the AG had notified the city and the City of Tucson had issued a response. The AG will issue their findings within the next week.

**Construction Sales Tax Taskforce** – President Tibshraeny then welcomed League Legislative Director Patrice Kraus to present on the Construction Sales Tax Taskforce. Legislative Director Kraus reminded the Executive Committee that Construction Sales Tax had been an ongoing issue for the last few years after the original tax simplification bill had passed (HB2111 in the 2013 Session). The rationale for the CST changes in that bill revolved around concerns about the complexity of the sales tax system, claims that contractors did not know the city in which they were working, the tax rate of that city and that the standard deduction of 35% did not accurately reflect labor costs. While the issues of location and tax rate would be addressed through the simplification process with DOR, the last issue related to labor costs continues to remain. Representative Cobb had introduced a bill last session that would have moved to a materials-only point of sale system at the materials retailer. While the bill did not move forward, the Executive Committee had requested a working group be put together to address this issue in the future. Similar to the PSPRS taskforce, a working group was formed of 16 members, including city and town finance directors, auditors and city managers. They have been meeting in the interim, completing a considerable amount of work and establishing a set of principles, as well as looking at other states and how they tax construction activities. Ms. Kraus also informed the Executive Committee that Elliott Pollack & Company had issued a draft of a report on other states, noting that while other states do tax materials only, their tax systems as a whole differ from Arizona.

Ms. Kraus said that the group had looked at previously introduced legislation and at alternative proposals that would provide relief to small contractors and meet most or all of the taskforce’s established principles. The next steps would be to meet with industry representatives, Representative Cobb and Senator Lesko to share their research. After this process, it will need to be determined how proactive the League will be in either proposing legislation or fighting

potential legislation. Ms. Kraus said that she thought there were some proposals that would provide simplicity and clarity for small contractors and might satisfy cities, towns, the industry and legislature.

Additionally, the point was brought up that if the system went to materials only at point of sale, cities and towns where construction is occurring might not see the benefits if the construction materials are purchased elsewhere. Ms. Kraus indicated that one of the ways to mitigate this issue of location is to have materials taxed on the job site, which eliminates materials-only at point of sale. However, the question of the amount of percentage to tax still remains, as it currently stands at 65% of the project (reflecting materials, profit and overhead) and that materials-only likely averages closer to 40%. She told the Committee that once the report is issued from Elliott Pollack, the hope is to use that information to showcase how much revenue the state would also lose.

Ms. Kraus also informed the Executive Committee that the taskforce would be developing alternatives for revenue if the point of sale proposal was to move forward, including having cities share in the use tax at the retail rate, which would mitigate the loss of revenue if they did change the formula slightly.

While the taskforce will continue to work on feasible solutions, it is also plausible that legislation be introduced in the next session that the League will need to be prepared to stand against. Several mayors suggested that it was important for the cities to continue to reach out to their legislators to discuss how this would hurt both cities and the state.

President Tibshraeny asked to halt the legislative policy discussion item and move to item number eight to discuss the budget committee report, while all members of the Committee were available to discuss.

## **8. BUDGET COMMITTEE REPORT**

President Tibshraeny welcomed League Executive Director Ken Strobeck to report on the Budget Subcommittee Report.

Executive Director Strobeck reminded the Executive Committee that the Perkins Coie law firm had been contracted to work on SB 1487 on behalf of the League, specifically on the issues related to the cities of Bisbee, Snowflake & Tucson. The negotiated contract had stated that the League would pay the firm a capped amount of \$125,000 for work that would be done before litigation and \$175,000 if they went to litigation. The amount has now been exceeded, as \$127,000 was billed to this point and an additional \$12,000 is expected. Mr. Strobeck noted that no payment past the initial agreed-upon \$125,000 had been paid to the firm. He said that in the past, when there have been extraordinary legal expenses, the League has instituted a voluntary per capita assessment for the additional amount. He noted that an assessment would not be initiated until they knew if the amount was \$125,000 or \$175,000.

Mayor Giles questioned if the second amount included moving through litigation or just up to the filing.

League General Counsel Christina Estes-Werther informed the Committee that the firm had already completed research that was necessary and whatever city is targeted will move forward

in litigation. The League would likely only be intervening or filing an amicus on behalf, so the role would only include providing support and research to the city that would go to court. She also indicated that it may be more expensive to go through Superior Court, as it would be more of a factual dispute and take longer to litigate. Right now, if there was an action filed in Supreme Court, the majority of the research had already been completed. She clarified that if the Attorney General finds a possible violation, it is required to be filed in Supreme Court, however, if the violation is found outright, it can be argued in Superior Court.

Mayor Giles also questioned if it would be on the burden of the city to provide the finances for litigation or if the League would share in that burden.

The Committee decided to move forward with the proposed assessment process and should a case move forward with litigation, they could hold a discussion at a future meeting regarding the cost of litigation as it applies to the specific city or to the League.

League Executive Director Strobeck also clarified that the assessments would not be initiated until the final bill was received and they would be invoiced to individual cities and towns as voluntary assessments. The plan will be to pay 50% of the legal costs from League financial reserves and the 50% would be assessed on a per capita basis.

President Tibshraeny asked if all members were comfortable with the assessment mechanism and received general agreement from all members in the room; Phoenix Councilman Danny Valenzuela, who was on the phone, commented that he thought the formula “sounds acceptable.”

Mayor Doug Von Gausig moved to proceed with the proposed 50-50 payment method for the current legal fees whether the final amount was either \$125,000 or \$175,000. Mayor Mark Nexsen seconded the motion and it carried unanimously.

## **12. EXPECT MORE ARIZONA**

President Tibshraeny asked to move to item number 12 to hear a presentation. President Tibshraeny welcomed Pearl Chang-Esau, president and CEO of Expect More Arizona, and Darcy Renfro of the Center for the Future of Arizona, to discuss Arizona’s goal for attainment in education.

Ms. Chang-Esau informed the Committee that the goal of Expect More Arizona is to create a world-class education. She introduced the Arizona Education Progress Meter, which is a collaboration between Expect More Arizona and the Center for the Future of Arizona that uses eight meters for tracking education progress in Arizona. She asked for cities and towns to consider signing on as partners, and adopt the goal of attainment for post-secondary education and utilize the education progress meter for framework for making progress.

President Tibshraeny asked that the Committee review the information supplied by Expect More Arizona and could possibly hold further discussion or motion for formal support at a future meeting. Mayor Von Gausig suggested the program be added to a future agenda and listed for possible support by the Executive Committee.

President Tibshraeny then welcomed back Legislative Director Patrice Kraus to continue the legislative policy discussions from item number six.

## **6. LEGISLATIVE POLICY DISCUSSIONS – Continued**

**League Resolutions; Policy Committees** – League Legislative Director Patrice Kraus reminded the Executive Committee that the Policy Committee format, introduced two years ago, had been working well and would continue. She noted that in order to establish more structure around these committees, a quarterly meeting system would be instituted, asking each committee to meet in the months of October, January, April and June. She encouraged members to continually submit their ideas for resolutions, as the committees will continue to review them. As the issues come up, it can be determined which ones will be worked on internally and which need to go to the formal Resolutions Committee.

**PSPRS Reform Update** – League Executive Director Ken Strobeck said that the League had nominated 10 individuals for the Speaker, President and Governor to review. Three of those individuals were selected, along with a representative from the counties, to serve on the PSPRS board, alongside four representatives from labor. A ninth individual, who will serve as chairman of the board, will be chosen through the existing eight members submitting three names to the Governor, who will then make the final selection from those nominations.

Executive Director Strobeck informed the Executive Committee that he had attended a briefing with Cortex Consultants to hear about the unresolved issues of board consolidation and pooling. He noted that the recommendation was for the boards to go from 256 to 45 so that any entity with more than 250 members would have their own board, with other entities grouped by county. He also said that the recommendation for pooling was unfavorable, as they recommended that any time an employer changes options, such as enriching benefits, they want to reopen legislation and change it from a 50/50 contribution so that the employer pays more for those benefits. He indicated that he would be drafting a response that calls for absolute commitment to the closed issue of 50/50 contribution, writing a letter to the consultants and working with the local government representatives on the board, as they would be the ultimate body to make a recommendation to the legislature. It was also noted that local boards would have time to comment prior to this point. President Tibshraeny asked Mr. Strobeck to copy the Executive Committee when he sent that letter.

**Legislative Communications Tools** – League Legislative Director Patrice Kraus called attention to the handout in the packet that itemized the communications tools used during the session to keep members informed about the status of legislation and League requests for action. She noted that all members are encouraged to be on the mailing lists and participate in the weekly legislative meetings, and that any suggestions for revising the communications tools would be welcomed.

**New Lobbying Firm** – Legislative Director Kraus then welcomed Scott Smith from Ballard Spahr and informed the Executive Committee that after interviewing several lobbying firms, the League had decided to move forward with Ballard Spahr, who would be helping in the next legislative session. She also welcomed Barrett Marson of Marson Media, who is the new League media consultant. Ms. Kraus informed the Committee that Mr. Marson would be available to offer services to the Executive Committee and that if there were columns or issues that the members would like to see put into their local papers, they should speak with her.

## **7. TPT IMPLEMENTATION UPDATE**

President Tibshraeny welcomed League Deputy Director Tom Belshe to give a TPT Implementation Update.

Deputy Director Belshe informed the Executive Committee that a number of sales tax auditors had been meeting at the Department of Revenue and have tested more than 270 multi-jurisdictional and single city returns and all of the data that is being entered is coming out the way it should be. This means that they will be able to move forward with having DOR take over the administration in January of next year. Mr. Belshe noted that there had been some data entry issues, and it was recommended that DOR staff receive additional training to help mitigate these errors.

Mr. Belshe also informed the Committee that the next step would be to move forward with an outreach and education campaign to both DOR staff and taxpayers. He indicated that they were working closely with DOR to develop an outreach program. Additionally, he informed the Executive Committee that the department had been releasing many of the multi-jurisdictional audits to them and that they still have the ability to do local audits.

## **8. BUDGET COMMITTEE REPORT – Continued**

President Tibshraeny welcomed League Executive Director Ken Strobeck to report on the second portion of the Budget Committee Report.

Executive Director Strobeck reminded the Executive Committee that several years ago, a discussion was held regarding construction of a new League facility. The original plan involved tearing down the current structure and building a brand-new building. The proposal was tabled during the recession and never picked back up. Recently, Mr. Strobeck had met with architects to review proposals related to maintaining the existing structure and renovating the interior through various enhancements that would improve the HVAC, lighting, electrical and plumbing among other items. He indicated that the League Budget Committee believed this would be an excellent time to move forward with borrowing for a project because of the low interest rates.

President Tibshraeny said that he would like to put together a steering committee for the project.

Mayor Cathy Carlat moved to appoint a subcommittee to further review the renovation project. Mayor Doug Von Gausig, Mayor Doug Nicholls and Mayor Jenn Daniels volunteered to join Mayor Tom Schoaf and Mayor Christian Price of the Budget Committee to serve on this subcommittee. Mayor Nicholls seconded the motion and it carried unanimously.

## **9. RECAP OF 2016 ANNUAL CONFERENCE**

President Tibshraeny welcomed League Communication and Education Director Matt Lore to present a recap of the 2016 Annual Conference.

Mr. Lore thanked Mayor Lane and the City of Scottsdale for hosting the annual conference in August. He informed the Executive Committee that there were 1,285 in attendance, which is the

largest attended League Conference attendance to date. He also referenced the conference survey, which will be used to glean suggestions for future conferences.

Additionally, Mr. Lore reminded the Committee that the 2017 Annual Conference would be held at the Hilton El Conquistador in Oro Valley, August 22 – 25 and that any Executive Committee members interested in planning that conference would be invited and encouraged to attend a planning meeting held in early spring 2017.

## **10. PUBLIC OPINION SURVEY**

President Tibshraeny welcomed League Executive Director Ken Strobeck to update the Executive Committee on the public opinion survey.

Executive Director Strobeck reminded the Executive Committee that the original proposal for a public opinion survey was presented at the August meeting and the Executive Committee had asked for a draft proposal to review. Mr. Strobeck informed them that a one-page summary was included in their packet that would allow for an update of a survey completed seven years ago by the League.

Mayor Jenn Daniels asked about the history of the survey and its purpose. Mr. Strobeck told the Committee that the survey produces information that is then used for publicity and outreach purposes such as in press releases and also in informative presentations given by the League. It was also discussed previously that in addition to gaining information from this survey, information would be used to create a common message that all League members could use in communicating about cities and towns.

President Tibshraeny asked to put together a subcommittee who would review this process, the results, messaging and how this information would be used.

Mayor Mark Mitchell, Mayor Mark Nexsen and Mayor Cathy Carlat volunteered to serve on the subcommittee.

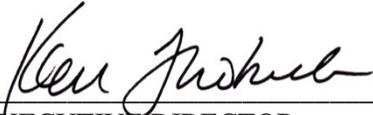
## **11. RESOLUTIONS OF APPRECIATION**

President Tibshraeny recognized long-standing Executive Committee members Mayor Kenny Evans and Councilmember Gilbert Lopez for their service to the League Executive Committee and presented them each with Resolutions of Appreciation.

Mayor Doug Von Gausig moved to pass the Resolution of Appreciation for Councilmember Gilbert Lopez; Mayor Jim Lane seconded the motion and it carried unanimously.

Mayor Jerry Weiers moved to pass the Resolution of Appreciation for Mayor Kenny Evans; Mayor Jim Lane seconded the motion and it carried unanimously.

Seeing no further business, President Tibshraeny adjourned the meeting at 11:58 a.m.

  
EXECUTIVE DIRECTOR

  
PRESIDENT