

MINUTES

LEAGUE OF ARIZONA CITIES AND TOWNS

EXECUTIVE COMMITTEE MEETING

Friday, May 12, 2017 at 10:00 a.m.
League of Arizona Cities and Towns
1820 W. Washington St.
Phoenix, Arizona

MEMBERS

President

Jay Tibshraeny, Mayor, Chandler

Thomas L. Schoaf, Mayor, Litchfield Park

Ed Honea, Mayor, Marana

John Giles, Mayor, Mesa

Vice President

Mark Nexsen, Mayor, Lake Havasu City

Cathy Carlat, Mayor, Peoria*

Daniel Valenzuela, Councilmember, Phoenix

Harry Oberg, Mayor, Prescott

Treasurer

Christian Price, Mayor, Maricopa

Harvey Skoog, Mayor, Prescott Valley*

W.J. "Jim" Lane, Mayor, Scottsdale

Daryl Seymore, Mayor, Show Low

Doug Von Gausig, Mayor, Clarkdale*

Rick Mueller, Mayor, Sierra Vista

Lana Mook, Mayor, El Mirage

Sharon Wolcott, Mayor, Surprise

Linda Kavanagh, Mayor, Fountain Hills*

Mark Mitchell, Mayor, Tempe*

Jenn Daniels, Mayor, Gilbert

Bob Rivera, Mayor, Thatcher

Jerry Weiers, Mayor, Glendale

Jonathan Rothschild, Mayor, Tucson

Georgia Lord, Mayor, Goodyear*

Douglas Nicholls, Mayor, Yuma

*Not in Attendance

+ Attended via phone

President Jay Tibshraeny called the meeting to order at 10:02 a.m. He invited Vice President Mark Nexsen to lead with the Pledge of Allegiance.

1. REVIEW AND ADOPTION OF MINUTES

Mayor Bob Rivera moved to approve the minutes of the February 16, 2017 Executive Committee Meeting; Mayor Jonathan Rothschild seconded the motion and it carried unanimously.

2. LEGISLATIVE REPORT AND NEW LAWS UPDATE (INCLUDING BUDGET)

Before beginning the summary of the legislative report, President Tibshraeny thanked the Executive Committee along with the League for their work throughout the session.

President Tibshraeny then gave the floor to League Executive Director Ken Strobeck. Executive Director Strobeck thanked the Executive Committee and discussed some of the issues that affected cities and towns throughout the legislative session. Mr. Strobeck also thanked the efforts of staff and introduced Legislative Director Patrice Kraus. Legislative Director Kraus then thanked staff, including League contract lobbyists, and public relations counsel.

Ms. Kraus then discussed some of the larger issues that were brought up during the session. She indicated that several major issues including construction sales tax, university bonding and retirement had been addressed.

She discussed HB 2521, Representative Cobb's TPT reform bill, which would have eliminated construction sales tax and shifted to a materials-only tax. This bill was managed to be kept from Committee of the Whole. Ms. Kraus indicated that the success for this was due largely to the work that had been done all interim long with the Construction Sales Tax Task Force and the data compiled by League Tax Policy Analyst Lee Grafstrom. She said that this issue would likely come up in future sessions so they planned to reconvene the Task Force and continue to develop some data, hoping to finalize their report before the beginning of the next legislative session.

Ms. Kraus also touched on the two major PSPRS bills from this session, noting that the issues centered on pooling and local boards. She indicated they had reached an agreement on pooling; the negotiation allows for plans with 251 or more active members to have individual plans and all the smaller police and fire departments would be pooled into one group with the same contribution rate.

Additionally, Ms. Kraus discussed the university bonding proposal that had been included by the Arizona Board of Regents and the League fought all year. She told the Executive Committee that they had done an analysis of the long-term cost of this proposal, which exposed some of the reasons why the universities wanted to move forward. In the end, the universities did receive \$27 million per year plus two percent growth for 25 years, but they can only use the money solely for bonding purposes. She indicated this was a good state-wide policy and a good solution.

Ms. Kraus also reviewed the budget, highlighting HURF and indicating that there is intent to start increasing appropriations to DPS and wean off the HURF sweeps. She also reminded the Executive Committee that the League was able to work on amending a number of bills, including the negotiations of two small cell bills. They also negotiated bills relating to Communities Facilities Districts (CFDs) and Government Property Lease Excise Tax (GPLET) that resulted in good compromises.

Ms. Kraus highlighted bills that had been defeated, including a bill that said cities and towns could not own motels or hotels.

One bill we were unable to defeat was Senate Bill 1152, which says that if a city or town increases their sales tax at an election, they have to hold the election in the even-numbered year fall cycle. This bill is intended to provoke a new lawsuit challenging the authority of Charter Cities in Arizona and supporters are hoping the court, with two additional members, will decide against Charter authority.

The League did send a veto request to the governor, as we felt it was important the governor and the public knew our concerns.

Mr. Strobeck thanked everyone for participating in the legislative update calls on Monday mornings and for reading the League Bulletin. He specifically remarked that when a legislative alert or call to action was sent out, he noticed that people were responding and making calls to their legislators, which really makes a difference when all members speak with one voice.

3. LEAGUE BUDGET FOR 2017-2018

President Tibshraeny welcomed Mayor Tom Schoaf, chairman of the budget committee to report on the League Budget for 2017-2018.

Mayor Schoaf noted that the budget was similar to the previous fiscal year, with some changes reflected for compensation and benefits changes. He did note that they were projecting a revenue shortfall of \$33,000 if all expenditures were spent. Mayor Schoaf reminded the Executive Committee that last year they expected a budget deficit of \$18,000 and ended up with a surplus. He did recommend budgeting for a small use of revenue reserves.

Mayor Schoaf moved to approve the League FY18 budget; Mayor John Giles seconded the motion and it carried unanimously.

The Executive Committee recessed to move into the League Property Corporation Meeting.

President Tibshraeny resumed the meeting to order at 10:30 a.m.

4. LEAGUE BUILDING SUBCOMMITTEE

President Tibshraeny introduced League Executive Director Ken Strobeck to report on the League Building Subcommittee.

Executive Director Strobeck informed the Executive Committee that the League Building Subcommittee had reviewed some proposals for building improvements and the latest round of estimates was included in the packets. Mr. Strobeck reminded the Committee that the building was showing its age and significant systems such as heating and air conditioning that would be nearing the point of needing replacement. Other items to potentially improve or replace would include lighting, ventilation system, walls and workspace areas. The proposal was to rebuild the entire interior of the building, leaving the exterior virtually unchanged. He also indicated that the proposal would allow for some modernizations that would better energy efficiency and improve heating and ventilation systems.

Mr. Strobeck reminded the Executive Committee that several years ago, the Executive Committee had looked at a \$15 million project to demolish and rebuild with a multi-story building and parking garage; this new project would be about \$2.5 million and would make modernizations to the current building. He also noted that the League's electric bill is quite expensive due to inefficient lighting and heating/ventilation units and that they had to do some major work with the elevator this year, which was a large unexpected expense that was incurred.

He reminded the Executive Committee that a League Building Subcommittee was created to indicate interest in the project, but they needed the buy-in of the whole Executive Committee in order to proceed with a discussion of the mechanism of financing.

Mr. Strobeck then turned the floor to League Building Subcommittee Chairman Mayor Schoaf.

Mayor Schoaf indicated that the subcommittee had decided to move from trying to build a new building and decided to renovate the interior based on cost. The cost will still be very significant, but will provide cost-savings to the League with energy savings. He also noted that the subcommittee felt that there would be a variety of benefits that would be indirect, with a more productive and satisfied staff and perhaps a better ability for the League to attract new staff in the future if they have a better facility from which to work.

Mayor Schoaf noted that the subcommittee wanted to present their opinion to the full Executive Committee and ask if they felt the buy-in for the \$2.5 million remodel, and additionally if they were to add that expense, that they discuss a potential dues assessment. He told the Committee that a dues assessment would simply assess everyone an extra amount of dues and spread it over a few years, so that the fees wouldn't come out of any one particular year. Mayor Schoaf said this particular method of financing would make it so that the League would not have any interest on payments. He also indicated that they had looked into the option of bonding. He asked the Executive Committee for their input.

The Executive Committee discussed the option of bonding, which would also require a dues assessment; however, it would be smaller amounts over a longer period of time. Mayor Schoaf also indicated that they would be required to get different proposals on the bond itself. He also discussed the possibility of closely matching per-year bonding costs with the savings in energy costs that would likely come from this project.

Mayor Schoaf said that there was still a lot of work to put into the project and the Subcommittee wanted to get some assurance from the Executive Committee that there was still interest and that the Subcommittee should continue to do research and move forward.

The Committee discussed several options for refurbishment, the possibility of replacing smaller systems individually and prioritizing items of need and with the most cost efficiency, as opposed to doing one renovation all at once.

The Committee did agree that the location of the building was essential to the work of the League and its proximity to the Capitol was ideal.

Several mayors indicated that they did not feel comfortable issuing an assessment at this particular financial time, however, many felt that they would like to move forward in some capacity and begin to look into some cost estimates.

Mayor Lane said that he felt bonding was the best option, as it would spread the cost over a period of time and keep cost assessments down. He also noted that some of the refurbishment of

the electrical and better efficiencies that were discussed might offset against any debt service. He said that while more information is needed, he would support continuing to consider.

Mayor Daniels also discussed the idea that with a remodel, there is the opportunity to add more rental space that could help offset some of the monthly expenses.

Mr. Strobeck said that the whole building is approximately 10,000 feet, with approximately 20% used as rental space.

Mayor Price said that he felt some sort of decision should be made, as even if the decision is to not make any improvements or renovations at this time, issues related may come up down the road and the Committee should consider setting aside money now for future projects.

Based on the discussion from the Executive Committee, President Tibshraeny felt the Committee was split and more preliminary work needed to be done. He suggested to Mayor Schoaf that the Subcommittee continue to work and possibly put some numbers together for the Executive Committee to review, including options for financing and a savings fund should the project be held for a later date.

5. SB1487 DEVELOPMENTS

President Tibshraeny welcomed League General Counsel Christina Estes-Werther to provide an update on Senate Bill 1487.

Ms. Estes-Werther informed the Executive Committee that there had been no update since the last time they had met. She reminded the Committee that oral arguments had been held on February 28 with the Arizona Supreme Court and still no decision had been made.

Ms. Estes-Werther indicated that she had spoken with outside counsel immediately following the hearing and they also did not expect a quick response. She also said that there was still the case pending in superior court. If the Supreme Court does not take jurisdiction on the matter, she informed the committee that they would continue down the avenue of the Superior Court.

Ms. Estes-Werther told the Executive Committee that they would continue to be apprised of updates for this matter.

6. CONSTRUCTION SALES TAX UPDATE

President Tibshraeny reminded the Executive Committee that this item had been covered during the Legislative Update by Legislative Director Patrice Kraus.

7. POLICY COMMITTEE REPORTS

President Tibshraeny recognized Legislative Director Patrice Kraus and Deputy Director Tom Belshe to present the Policy Committee Report.

Legislative Director Kraus reminded the Executive Committee that the Policy Committees were implemented three years ago to get more individuals involved in the policy process and that the Policy Committees are now the only process to develop a League resolution.

Ms. Kraus then turned the floor to Deputy Director Belshe to discuss the suggestions brought forward by the General Administration, Human Resources and Elections (GAHRE) Policy Committee.

Mr. Belshe said that one issue had been brought forward by the City of Maricopa relating to legislators transferring campaign contribution funds. This stemmed from a last-minute budget bill amendment from the 2016 legislative session that allows legislators to use money received through campaign contributions for statewide office or for federal office, but does not allow local elected officials to do the same. In the interest of fairness, the Policy Committee agreed that this was an issue that should be addressed.

Ms. Kraus then introduced League Legislative Associate Tom Savage to present an update on the Transportation Policy Committee.

Legislative Associate Savage said that the committee had introduced two policy issues, one from the City of Sedona and one from the City of Yuma.

Mr. Savage said that Sedona's policy item was related to off-highway vehicles being used on city streets. The city was seeking clarification in statute as well as some authority to restrict the usage of off-highway vehicles being used on the city streets.

The second issue was presented by the City of Yuma requesting for an increase to Highway User Revenue Funds (HURF). Mr. Savage indicated that both of these items were brought to the committee and further study and revision needed to be completed.

8. 2017 LEAGUE CONFERENCE UPDATE

President Tibshraeny introduced League Communication and Education Director Matt Lore to discuss the upcoming League Annual Conference.

Communication and Education Director Lore reminded the Executive Committee that the League Annual Conference would be held August 22 – 25 at the Hilton El Conquistador in Oro Valley. He said that registration would be opening the week of May 22 and would open first to the League Executive Committee and their staff. Mr. Lore informed the Committee that information would be sent to the full committee and their staff, including intergovs and managers and reminded them to register quickly as the hotel typically sells out. He also provided a handout for the Executive Committee that would allow them to indicate room preference at the hotel.

Mr. Lore also directed the Executive Committee to the League Annual Conference sponsorship program. He reminded the Committee that the conference is the second largest revenue generator for the League and a large portion of that revenue comes from conference sponsors. Mr. Lore directed the Committee to the sponsor packet and reminded the Committee that if they had any

organizations or businesses they thought would be interested in sponsorship, to let League Staff know and they could reach out.

9. PUBLIC OPINION SURVEY

President Tibshraeny welcomed League Executive Director Ken Strobeck to present on the Public Opinion Survey.

Executive Director Strobeck reminded the Executive Committee that a Subcommittee had been put together to discuss and create a Public Opinion Survey project. He informed the Executive Committee that the survey committee had met several times to discuss the survey and questions and also met with the firm Highground.

Mr. Strobeck then introduced Paul Bentz from Highground to present the findings from the survey.

Mr. Bentz summarized the findings of the survey, indicating that the League of Arizona Cities and Towns, and cities and towns in general, remain popular with their constituents. The survey tested public opinion of these ideas at both the statewide and local level. A copy of the survey and its findings was included in the Executive Committee meeting packet.

Seeing no further business, President Tibshraeny adjourned the meeting at 11:46 a.m.



EXECUTIVE DIRECTOR



PRESIDENT