

MINUTES

LEAGUE OF ARIZONA CITIES AND TOWNS

EXECUTIVE COMMITTEE MEETING

Friday, May 22, 2009
League Office Building
1820 W. Washington, Phoenix

MEMBERS

President

Boyd Dunn, Mayor, Chandler

Vice President

Robert Walkup, Mayor, Tucson

Treasurer

Larry Nelson, Mayor, Yuma

Marie Lopez Rogers, Mayor, Avondale
Doug Von Gausig, Mayor, Clarkdale
Gilbert Lopez, Councilmember, Coolidge
Byron Jackson, Mayor, Eloy *
Steve Berman, Mayor, Gilbert

Elaine M. Scruggs, Mayor, Glendale *
Fernando Shipley, Mayor, Globe
Jim Cavanaugh, Mayor, Goodyear
Monica Badillo, Mayor, Hayden *
Mark Nexsen, Mayor, Lake Havasu City
Scott Smith, Mayor, Mesa
Paul Loomis, Mayor, Oro Valley
Kenny Evans, Mayor, Payson *
Bob Barrett, Mayor, Peoria
Maria Baier, Councilmember, Phoenix
Harvey Skoog, Mayor, Prescott Valley
Lynne Skelton, Mayor, Sahuarita
Gerry Whipple, Councilmember, Show Low
Robert Strain, Mayor, Sierra Vista
Mark Mitchell, Councilmember, Tempe
Bob Rivera, Mayor, Thatcher

*Not in attendance

President Dunn called the meeting to order at 10:03 a.m. Executive Committee members recited the Pledge of Allegiance.

1. REVIEW AND ADOPTION OF MINUTES

President Dunn asked if there were any corrections or changes to the minutes as presented. Mayor Rivera moved that the minutes of the February 13, 2009, Executive Committee meeting be approved. Mayor Lopez seconded the motion and it carried.

2. LEGISLATIVE REPORT

Jeff Kros started the legislative report by stating that today is the 131st day of session, and the Senate has yet to hear a bill except for FY2009 budget fixes and items to deal with the federal stimulus package. In March, the Legislature did try to take away the \$17 million that was a payback and a hold harmless from earlier this decade, but we were able to rally enough support to eliminate that provision from the budget fix. The Governor supports us in that respect. In a FY2010 budget proposal the House had a provision to “allow” cities and towns to use impact fees for any purpose, but then those that did would lose their revenue sharing. We commissioned an opinion from attorney Peter Culp as to why that would not pass legal muster. A few days ago the Senate budget

proposal had a large VLT transfer, where our VLT would go to pay for public schools. We could then use impact fees funds to backfill those losses. House Democrats are coming up with their own budget plan, a portion of which would broaden the sales tax base, and the Model City Tax Code would be similarly adjusted so we would have even more revenue, according to the Democrats. This would then allow the Legislature to “borrow” revenue sharing from us, stating they would eventually pay us back. We have asked for written proposal only so we can respond in writing and avoid hearsay.

Mayor Nelson stated that the Executive Committee and members need to have a uniform stance, and that members can not be split apart. Therefore, he recommended that all communication on the budget go through the League.

Cheyenne Walsh then reported on the latest on impact fees. Senate Bill 1035 had an amendment placed on it that would put a three year moratorium on collection of impact fees, on the imposition of new building codes and on increases in construction sales tax. This is an attempt by the Homebuilders Association of Central Arizona (HBACA) to get everything they have wanted over the last several years. Senators Aguirre and Rios were very vocal in their opposition to this measure in Senate Appropriations. The bill did pass out of committee by party lines. Such a practice would shift cost to current residents. Cheyenne emphasized that we need to talk with our citizens and our developers about the problems associated with this legislation. House Bill 2259, the impact fee bill, still awaits floor action in the House. This measure has been a work in progress with the League present.

Mayor Dunn stated that this moratorium is being presented as an economic development tool when it really is not. Councilmember Baier noted that there is a split between homebuilders and commercial developers. Mayor Dunn re-emphasized the point clarifying that this is HBACA’s doing and that they have the ear of several legislators.

Mayor Nexsen noted that in his area, the city with the highest impact fees also had the most economic development, which put a crimp in HBACA’s argument. Mayor Dunn said that citizens like impact fees, as it is growth paying for itself. Mayor Berman noted that it takes about seven years for a resident’s taxes to actually pay for their “impact” to the community, so impact fees are imperative for infrastructure needs. Mayor Dunn cited the need for a legal opinion on these issues. Ken Strobeck said if the VLT shift and some of these other items do get traction we could certainly pursue that.

Mayor Lopez Rogers said the committee members should use their various channels to communicate these points to their citizens and local media. Mayor Loomis requested the committee to be vigilant on both the moratorium and House Bill 2259.

Mayor Smith said as a developer, there are only certain costs associated with home building and that HBACA is trying to lessen the costs of impact fees to subsidize the overpriced cost of land over the last few years. Mayor Dunn noted we were again told we would be at the table for these discussions and were not.

Mayor Von Gausig pondered if there are legislators who are reachable and Cheyenne said there were and that the League has been in constant communication with them. Ken also pointed out the League’s Myth vs. Fact reports and opinion pieces for the printed media that have been published. Mayor Smith criticized the Legislature for encroaching into local control.

Dale then talked about the transparency bill, HB 2615, which would require cities and towns to have a searchable database of all transactions available on a website. Exempt would be cities and towns under 5,000, and all counties and special taxing districts. We are accumulating strong support for our position that this is an unfunded mandate and an incursion into local control and we think we can beat this in the House. Dale also reminded members that the Resolutions packet went out this week, and that he would be taking over the Resolutions process

Ken then announced that Cheyenne is leaving the League to go to law school, and he thanked her for her service. The Executive Committee gave her a round of applause.

Mayor Shipley asked about a hearing Senator Pearce had on “sanctuary cities.” Jeff responded that it was an informational hearing and that the League will follow any subsequent legislation closely.

Mayor Dunn thanked the League staff for all of their hard work this session.

3. GOVERNOR’S FIVE-POINT PLAN FOR ECONOMIC RECOVERY

Tom Manos and Page Gonzalez from Governor Jan Brewer’s office joined the Executive Committee for a budget briefing. Manos conveyed Brewer’s support of local government, citing her past experience as a county supervisor. He noted that in January, the state cut approximately \$600 million when it was estimated to be facing a \$1.6 billion deficit. He also said cuts of this magnitude would be necessary every year if the situation continues without another source for revenue or structural change. Manos said that Governor Brewer began cutting early in her term due to inflated growth estimates from the previous administration. However, these cuts will not offset the caseload growth in education, AHCCCS, welfare and other programs.

Manos briefed the Executive Committee on revenue streams for the state, including individual income tax (36 percent), sales tax (46 percent), corporate income tax (8 percent) and other sources (10 percent). Within sales tax, the state is heavily reliant on retail and contracting. He then discussed revenue trends, noting that funds were down across the board, but particularly in auto dealer sales growth. Thus far, sales tax collections were down roughly 13 percent, with further declines expected.

Manos also reviewed the state’s expenditures. Approximately 75 percent of the state budget is marked for K-12 education, universities and regents, community colleges, health services and AHCCCS. Additionally, there are required maintenance efforts in these categories as a result of the state’s acceptance of federal stimulus money. He also mentioned that caseload and enrollment for K-12, AHCCCS and Corrections are expected to grow by 107,000 from FY09 to FY10. Manos pointed out that in a recession or down economy, needs for government services and therefore expenditures increase while their revenues decrease.

Manos said the divide between revenues and expenditures will only continue to widen without a structural change and that cuts alone are not enough to fill the gap. He said at this rate, the estimated state budget shortfall for FY2014 is more than \$4 billion.

To address this growing problem, Manos reviewed Governor Brewer’s Five Point Plan, which calls for fiscal reforms, Prop 105 reform, long-term financial plans, limits on spending growth, and further cuts. The Governor’s plan also calls for a temporary tax increase to bridge the gap in the state’s budget shortfall.

Mayor Cavanaugh asked Manos if there was a way to include a provision in the temporary tax to indicate to voters that this would only be implemented for a defined period of time in these dire conditions, to show that it truly is a last resort and a serious step towards fixing the budget deficit. Manos said they generally planned for a three or four year time frame for the increase and that the measure would be referred to voters to decide. Mayor Dunn also asked if the Governor had decided what sort of tax this would be. Manos said the Governor has not made an official statement, but it would likely be a sales tax as it could be implemented very quickly.

Mayor Dunn also said that the League Executive Committee had not taken a specific stance on solar, but that given Arizona's natural resources it would be beneficial to offer incentives for solar companies to come to Arizona. Manos said the Governor is considering how to make Arizona business incentives more competitive with other states.

Manos said that the Governor's Office regularly meets with legislative leadership and that they generally agree on the budget deficit number and they had made this budget presentation to leadership. Mayor Smith and other members expressed some concern over the proposed tax increase, as it would likely inhibit municipalities from raising their own sales tax rates. Mayor Shipley also said an increase in sales tax could disproportionately hurt those in low income areas. Manos said that if there was away around this, the Governor's Office would take it. He said this is the lesser of several bad options and though they don't like the idea of a tax increase, they are working to find a balance between the harm that's caused by this revenue increase and the harm that's caused by further cuts. Mayor Loomis asked what kind of polling the Governor's Office had done in regards to a tax increase, and Manos said the sales tax was polling at over 50 percent. Mayor Lopez Rogers asked if the Governor had considered increasing the sales tax base and Manos said it has been considered but it does not seem to have much acceptance. Councilmember Baier thanked Manos for meeting with the Executive Committee and inquired regarding the timing of the measure. He said if the issue was referred, the earliest it could be on the ballot is this fall in order to have an increase before holiday spending.

President Dunn and the Executive Committee thanked Manos for meeting with League members. He also mentioned that mayors' support of this measure could depend on whether cities and towns' traditional share would play a factor as well as what happens with impact fees. After some further discussion with the committee, President Dunn thanked Tom and Page for making the presentation and commended the Governor for her leadership in this difficult time.

4. 2009 CONFERENCE UPDATE

President Dunn recognized Matt Lore to give an update on the upcoming 2009 League Conference, which is scheduled to be held in Oro Valley September 1-4.

Matt updated the Executive Committee on preparations for the conference. He recognized and thanked those Executive Committee members who participated in a brainstorming/planning session for the conference: President Boyd Dunn of Chandler, Treasurer Larry Nelson of Yuma, conference host Mayor Paul Loomis of Oro Valley, Marie Lopez Rogers of Avondale, Monica Badillo of Hayden, and Harvey Skoog of Prescott Valley.

Matt then briefly overviewed the conference program and stated that the general structure is consistent with past years with over 20 concurrent sessions and some great keynote speakers. He

stated that at present time registrations were coming in at a good pace, but that it could be lower this year because of the economy.

5. LEAGUE BUDGET FOR 2009-2010

President Dunn requested that Ken Strobeck update the Executive Committee on the proposed League budget for July 1, 2009 to June 30, 2010. Ken noted that the committee received a copy of a short narrative on the budget, as well a detailed breakdown of expected revenues and expenditures. He also said the committee previously agreed to freeze League dues and that there would be no population or inflation increases for 2009-10. He said members would notice a largely decreased estimate for revenues from the Local Government Directory, as it is moving to an online format and will just be printed once a year in January. Ken also pointed out the special assessment for legal fees in the revenues section to note that nearly all cities and towns had remitted payment to the League. Ken thanked the Executive Committee for the response and assistance from members for this unexpected expense to the League. On the expenditure side, Ken said that there would be a slight increase in the benefits, due to the rising cost of healthcare. However, he also there have been major reductions in printing and shipping, due to the directory and other publications going to an online format. He noted that the League runs a very tight budget and that there would be no increase in staff or staff salaries. Ken thanked the committee for their support and for their dues.

President Dunn thanked League staff for their work and said the League's services and dedication are an enormous benefit to members. He also noted the staff attorney position has not been filled, but that the League would likely utilize outside law firms for future issues so this position will remain unfilled.

Mayor Nelson motioned to approve the 2009-10 budget and Mayor Loomis seconded the motion. It carried unanimously.

6. RECOGNITION OF OUTGOING EXECUTIVE COMMITTEE MEMBER

President Dunn recognized that Mayor Steve Berman will be leaving the Executive Committee. He requested a resolution of appreciation for Mayor Berman for his service to the League and his regional leadership. Mayor Berman served on the League Executive Committee from 2004-2009 and served the Town of Gilbert for 13 years, with three years on the council and 10 years as mayor. Mayor Rivera moved to approve the resolution for Mayor Berman. Mayor Lopez seconded the motion and it carried.

7. CONSIDERATION OF RESOLUTION OPPOSING CHANGES TO THE FEDERAL CLEAN WATER ACT

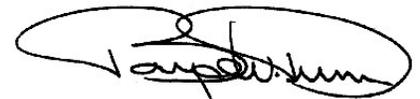
President Dunn called on Mayor Larry Nelson to update the members on this proposed resolution. Mayor Nelson said the changes to the Federal Clean Water Act as presented are very serious and devastating to communities in Arizona. Mayor Loomis asked about the timing of this issue and Mayor Nelson said it may come up before the Resolutions Committee meeting. Accordingly, Mayor Dunn mentioned that if it passes, he would write a letter on behalf of the committee to send with the League Resolution. Mayor Lopez Rogers elected to abstain until she is able to meet with her council for a resolution. Mayor Loomis motioned that the resolution be approved. Mayor Skoog seconded the motion and it carried.

8. ADJOURNMENT

President Dunn asked if there was any other business. Mayor Nelson moved to adjourn the Executive Committee meeting and begin the Property Corporation meeting. Seeing no other business, Mayor Dunn adjourned the meeting at 11:55 a.m.



EXECUTIVE DIRECTOR



PRESIDENT