



## GOVERNMENT AFFAIRS COMMITTEE

June 9, 2011

The Government Affairs Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on June 9, 2011 at 9:00 a.m.

### COMMITTEE PRESENT

Christopher Glover, Chairman  
Alex Finter  
Dina Higgins

### COMMITTEE ABSENT

None

### STAFF PRESENT

Scott Butler  
Donna Bronski

#### 1. Items from citizens present.

There were no items from citizens present.

#### 2-a. Hear a presentation and discuss the 2011 State Legislative Report.

Assistant to the City Manager Scott Butler addressed the Committee and stated that the purpose of the presentation is to provide a brief overview of the 2011 Legislative Session. He introduced Government Relations Coordinator Miranda Culver who displayed a PowerPoint presentation (**See Attachment 1**) and said that the City of Mesa identified and tracked more than 200 bills that could potentially have an impact on local government. She advised that of the 1,337 bills introduced 357 were signed and 29 were vetoed by Governor Brewer. She stated that the first Special Session related to the Arizona Health Care Cost Containment System (AHCCCS) waiver request and the second Special Session introduced and passed what is known as the Governor's Economic Competitive Package Bill.

Ms. Culver reported that the Department of Water Resources (DWR) fee will be passed on to all City of Mesa Water Utility customers. She said the assessment of the DWR fee to the City was based on population and will create a \$611,878 impact. She said that the State Water Assessment Fee will be added as a new line item on customer utility bills and those fees will be deposited into the Water Resources fund. She added that overall the State's budget did not impact the City as much as anticipated.

In response to a question from Committeewoman Higgins, Mr. Butler advised that he would research and determine what the State's total Water Resources budget is and provide that information to the Committee. He explained that the Legislature felt that assessing the fee to cities and towns based on population was the simplest approach. He said that assessing the fee

in this manner is a problem when many cities across the State are supplied water through private water companies.

Discussion ensued regarding the State Water Assessment Fee that has been passed down to the taxpayers.

Mr. Butler advised that all municipalities have been affected by the Water Assessment Fee and the Arizona Municipal Water Users Association (AMWUA) has been following the assessment closely.

Responding to a question from Committeewoman Higgins, Ms. Culver explained that the County did not receive a direct impact from the DWR fees however, they were impacted in other areas.

Mr. Butler said the counties did receive dramatic cuts, however they do not have the Constitutional guarantees or the voter approved revenue sharing that the City has.

Responding to a question from Committeemember Finter, Mr. Butler explained that the County has more diverse funds than the City and that he would research and determine how Maricopa County is handling its levies. He added that currently the County is in the middle of finalizing their budget.

Ms. Culver reported that cities and towns have been significantly impacted by a collective \$26 million loss in Highway User Revenue Funds (HURF). She advised that the direct impact from the loss of HURF to the City of Mesa was over \$3 million, which will have a dramatic impact on the City's Transportation and Capital Projects. (See Page 3 of Attachment 1)

Ms. Culver advised that effective July 1, 2011, there will be a shift in the Arizona State Retirement System (ASRS) contribution rates. She explained that the once evenly split contribution rate will now be a 47/50 split between the employer and employee, with the employee contributing the higher rate. She added that the shift in contribution rates will result in some savings to the City of Mesa.

In response to a question from Committeemember Finter, Mr. Butler advised that he would research and determine what the actual amount of savings to the City will be as a result of the shift in contributions to the ASRS. He said some of the cost savings from ASRS have been used to offset the increase in healthcare expenses.

Responding to a question from Committeewoman Higgins, Mr. Butler explained that a percentage of an employee's salary is paid into the ASRS system. He said in the past the contribution has been a 50/50. He stated that once an employee retires contributions will no longer be made into the ASRS system for that employee. He advised that each employee has a defined benefit guaranteed by the State Constitution to receive what was paid into the retirement system. He noted that Phoenix and Tucson are the only municipalities that do not pay into the ASRS.

Mr. Butler briefly highlighted the ASRS system, the Public Safety Retirement System and the Elected Official's Retirement System. He advised that new legislation removes the cap that was placed on the employee percentage rate paid into the Public Safety Retirement System. He noted that there could be potential savings to the City as a result of removing the cap. In

addition, he advised that many Public Safety employees were concerned with the potential phase out of the Deferred Retirement Option Plan (DROP). He said that a compromise was reached and as a result the DROP program will no longer be available to new employees. In addition, he said the contribution rate was adjusted and the Public Safety Retirement System is now consistent with the ASRS.

Mr. Butler advised that if Mesa did not have a dedicated Street Sales Tax to conduct street maintenance, the City would be in a "world of hurt." He said in other communities the loss of HURF money has been dramatic as the State is now out of the business of funding streets. He stated that this was a major policy shift for the Legislature and could be revisited in the future.

Mr. Butler displayed a list of bills, most of which failed in the Legislative process, including bills dealing with Urban Revenue Sharing and compensation for city employees. (See Page 4 of Attachment 1) He reported that SB 1322 which would have required that all services over \$500,000 be put out for bid, made it to the Governor's desk and was vetoed. He advised that a compromise was reached regarding SB 1525, which is the Development Fee bill. He said that the Governor intends for SB 1525 to be the last piece of Impact Fee legislation she entertains during the rest of her administration. He added that a new Impact Fee study will be conducted over the next few years to ensure that growth will pay for growth.

Mr. Butler reported that Public Safety issues such as photo radar and the Immigration bill did not make it through the Legislature. He stated that the firearms omnibus relates to guns in public venues such as the Mesa Arts Center and the Amphitheater and is a concern as some performers have specific safety requirement riders in their contracts. He said by working with the hospitality industry and the State of Arizona some progress was made however, SB 1201 in the end was vetoed by the Governor. (See Page 5 of Attachment 1)

Mr. Butler advised that the Homebuilders Association of Arizona promoted HB 2153 preempting the City's ability to mandate fire sprinklers as part of the International Building Code update. He said this bill takes away the City's discretion and states that fire sprinklers cannot be mandated. He stated that a builder can offer fire sprinklers as an amenity or they can be made part of an agreement. (See Page 5 of Attachment 1)

Mr. Butler stated that HB 2150, known as the scrap metal bill, also failed in the Legislature. He pointed out that businesses have been hit hard by wire thefts and the City has lost millions of dollars as a result of how people are compensated for scrap metal. In addition, he said that the numerous wire thefts have been a challenge for law enforcement. He said the Public Safety Department, the community and other stakeholders will continue to work together to try and address this problem. He noted that ADOT experienced the most significant impact from the wire thefts. (See Page 5 of Attachment 1)

Mr. Butler briefly highlighted the 2011 Legislative Session bills relating to Development Services and Economic Development. He stated that there were numerous bills regarding permitting, all with the intention of making the permitting process business friendly. He advised that SB 1041, which relates to property taxes, was vetoed by the Governor who is abiding by her pledge that she would not do anything to harm State revenue while the \$.01 Sales Tax is in effect. He said the new Speaker of the House, Andy Tobin, has indicated that SB 1041 will be his number one priority going into the next session. (See Page 5 of Attachment 1)

Mr. Butler reported that SB 1159, which is the Motion Pictures Tax Credit bill, did not make it through the Legislative process and will impact the development of Gateway Studios. He said that Gateway Studios is not financially viable without the Film Tax credits. He added that most competing states have a tax credit tool and unfortunately, Mesa will continue to lose out on large motion picture productions until this incentive is reinstated. (See Page 6 of Attachment 1)

Ms. Culver briefly highlighted the bills from the Legislative Session that relate to Business Services and reported that HB 2193 prevents cities and towns from contracting with property owners for services used by renters. (See Page 7 of Attachment 1)

In response to a question from Councilwoman Higgins, Mr. Butler explained that municipal water charges do not apply to rental units on master meters where water is included as part of the rent. He said HB 2193 stemmed from Realtors who are now in the property management business and are concerned with municipalities seeking collection from landlords when renters do not pay their water bill. He advised that HB 2193 indicates that the person who directly received the benefit is responsible for the payment. In addition, he said a deposit in any amount can be charged however, collection for the bill can only be made against the individuals that are using the service.

Ms. Culver stated that SB 1166 prevents municipalities from levying a Transaction Privilege Tax (TPT) on commercial leases that have more than 80% in common voting shares. She said commercial leases include larger retail stores such as Wal-Mart and Home Depot. She stated that the exact financial impact to the City of Mesa is unknown at this time, however it is anticipated that it will be significant and will be monitored by Business Services.

Mr. Butler advised that SB 1166 was intended to help small businesses that for tax purposes form a Limited Liability Company (LLC). He explained that Wal-Mart could form an LLC and rent their store space back from themselves, preventing the City from charging any type of Commercial Lease Tax. He stated that SB 1166 could potentially have a tremendous impact on TPT collection and the actual fiscal impacts will be monitored. (See Page 7 of Attachment 1)

Ms. Culver reported that SB 1204, known as the trash collection bill, failed in the Legislative process. She said this bill would have created a financial impact to the City by allowing private trash collection companies to service multi-housing dwelling units. She advised that the City would be required to provide trash collection to units that private collection companies may choose not to serve, leaving the city with not so lucrative solid waste accounts. She noted that this bill would be returning to the Legislature in the future. (See Page 7 of Attachment 1)

Mr. Butler remarked that the City has the best Solid Waste Department in the State and is under a statutory requirement to provide trash collection. He said the City would be negatively impacted by allowing a private collection company to "cherry pick" lucrative accounts around the City leaving the City as a last resort provider. He stated that the City would need to be relieved of the local government mandate to provide trash collection or designate geographic zones for private collection routes in order to prevent a negative impact on the City.

Mr. Butler advised that SB 1609 relates to the retirement system and is very complex. He said controversial provisions were made to SB 1609 and it is anticipated that there will be lawsuits filed in an attempt to try and block some of the provisions from taking place. He remarked that

additional information can be provided if that is the request of the Committee (See Page 8 of Attachment 1)

Mr. Butler reported that the State continues to take away local authority regarding political signs in the right of way. He said it is unfortunate that the Legislature does not understand that political signs should be set out and removed in a timely manner and placed in a way that does not impact public safety at intersections. He stated that this is a contentious issue that the Legislature has decided will be dictated at a State wide level. (See Page 8 of Attachment 1)

Mr. Butler stated that the link to the League of Arizona Cities and Towns, 2011 New Laws Report, has been provided to the Committee. (See Page 9 of Attachment 1) He said the New Laws Report is a comprehensive report that provides additional contacts on the bills presented. He stated that the League of Arizona Cities and Towns will be providing training this summer to educate cities on the new Impact Fee and new State Retirement System changes.

Mr. Butler remarked that the new Speaker of the House has his own priorities and agendas and will set a new tone in the House of Representatives. In addition, he said the Joint Legislative Budget for May has been received and indicates that State Revenue is up by 14% or 15% from last year. He added that the budget crisis is not over however, it is stabilizing.

Chairperson Glover thanked staff for the presentation.

At the suggestion of Mr. Butler, the Committee concurred that a presentation on the Federal update would be beneficial at a later date.

### 3. Adjournment.

Without objection, the Government Affairs Committee meeting adjourned at 9:53 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Government Affairs Committee meeting of the City of Mesa, Arizona, held on the 9<sup>th</sup> day of June 2011. I further certify that the meeting was duly called and held and that a quorum was present.

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LINDA CROCKER, CITY CLERK

bdw  
(attachments – 1)



# 2011 City of Mesa State Legislative Report

Government Affairs Committee

June 9, 2011

# 2011 Legislative Session

- **1<sup>st</sup> Regular Session**
  - Of the 1337 bills introduced, 386 passed both chambers.
  - Governor Brewer signed 357 bills into law and vetoed 29 bills.
  - Mesa identified and tracked more than 200 bills that had a potential impact on the way we do business and provide services to the residents of Mesa.
  - The general enactment date for this session is July 20, 2011.
- **1<sup>st</sup> Special Session – Medicaid Eligibility/Funding**
  - S1001 AHCCCS; waiver request
  - Signed into law on Jan. 21, 2011
- **2<sup>nd</sup> Special Session – Economy/Jobs**
  - H2001 commerce authority; business incentives
  - Signed into law on Feb. 17, 2011

# State Budget

- **Impact to Cities and Towns**
  - Department of Water Resources (DWR) fees
    - \$611, 878 impact to Mesa’s utility customers
  - Highway User Revenue Fund (HURF)
    - \$3 million direct impact to Mesa’s transportation capital projects
  - Arizona State Retirement System (ASRS) contribution rates
    - Shifts the 50/50 contribution rate shift between the employer and employee to a 47/50 split with the employee contributing the higher rate.

*\*There was no reduction in shared revenue funds in the FY11/12 state budget.*



# 2011 Legislative Session

## Attacks on Local Control

- SB 1221 urban revenue sharing; distribution freeze (Sen. Pierce)  
*Status: FAILED*
- SB 1220 uniform local sales tax base (Sen. Pierce)  
*Status: FAILED*
- SB 1525 municipal development fees (Sen. Pearce)  
*Status: Signed by Governor*
- SB 1322 managed competition; city services (Sen. Antenori)  
*Status: VETOED*
- SB 1345 cities; number of employees; compensation (Sen. Antenori)  
*Status: FAILED*
- SB 1347 cities; compensation baseline (Sen. Antenori)  
*Status: FAILED*

# 2011 Legislative Session

## • Public Safety

- SB 1352 photo radar prohibition (Sen. Antenori)

*Status: FAILED*

- SB 1611 immigration omnibus (Sen. Pearce)

*Status: FAILED*

- SB 1201 firearms omnibus (Sen. Gould)

*Status: VETOED*

- HB 2153 fire sprinklers; code (Rep. Montenegro)

*Status: Signed by Governor*

- SB 1379 fireworks regulation (Sen. Antenori)

*Status: VETOED*

- SB 1398 fines; criminal & civil traffic (Sen. Antenori)

*Status: Signed by Governor*

- HB 2159 scrap metal dealers (Rep. Ash)

*Status: FAILED*

# 2011 Legislative Session

- **Development Services**

- SB 1286 counties; cities; permit; time limit (Sen. Klein)

*Status: FAILED*

- SB 1598 cities; counties; regulatory review (Sen. Klein)

*Status: Signed by Governor*

- HB 2501 rules; laws; ordinances; interpretation (Rep. Vogt)

*Status: Signed by Governor*

- **Economic Development**

- SB 1159 tax credits; multimedia production (Sen. Nelson)

*Status: FAILED*

- SB 1041 property taxes; capital investment; new jobs (Sen. Reagan)

*Status: VETOED*

# 2011 Legislative Session

- **Business Services**

- HB 2193 municipal water charges; responsibility (Rep. Weiers)

*Status: Signed by Governor*

- SB 1160 municipal sales tax; residential rental (Sen. McComish)

*Status: Signed by Governor*

- SB 1166 municipal tax exemption; commercial lease (Sen. Yarbrough)

*Status: Signed by Governor*

- **Solid Waste**

- SB 1204 trash collection; multi-housing (Sen. Griffin)

*Status: FAILED*



# 2011 Legislative Session

- **Miscellaneous**

- SB 2500 political signs; removal (Sen. Gowan)

*Status: Signed by Governor*

- SB 1609 retirement systems; plans; plan design (Sen. Yarbrough)

*Status: Signed by Governor*

The 2011 New Laws Report is now available...



League of Arizona  
Cities AND Towns  
WWW.AZLEAGUE.ORG

# NEW LAWS REPORT 2011

To view the full report, visit [www.azleague.org](http://www.azleague.org).



# Comments

&

# Questions