



COUNCIL MINUTES

March 14, 2016

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on March 14, 2016 at 5:22 p.m.

COUNCIL PRESENT

John Giles
Alex Finter
Christopher Glover
Dennis Kavanaugh
David Luna
Kevin Thompson

COUNCIL ABSENT

Dave Richins

OFFICERS PRESENT

Christopher Brady
Jim Smith
Dee Ann Mickelsen

Mayor Giles excused Councilmember Richins from the entire meeting.

1. Review items on the agenda for the March 14, 2016 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflict of interest: None

Items removed from the consent agenda: None

Items added to the consent agenda: 8-a

2-a. Hear a presentation and discuss the 2016 State Legislative update.

Deputy City Manager Scott Butler displayed a PowerPoint presentation (**See Attachment 1**) and reported that a total of 1,219 bills have been introduced during the 2016 Legislative Session. He explained that staff have reviewed more than 200 bills that could have a potential impact on Mesa as it relates to the manner in which the City conducts business and provides services to its residents.

Mr. Butler reported that although staff was uncertain with respect to the final budget for FY 2017, Governor Ducey has proposed a budget of \$9.4 billion. He stated that the governor's budget does not impact Urban Revenue Sharing, state-collected sales tax, the Aviation Fund and noted that there would be no additional sweeps to the Highway User Revenue Funds (HURF). He pointed out, however, that cities and towns will experience further impacts as it relates to funding a portion of the Department of Revenue's (DOR) operational costs. He noted that he was hopeful that the assessment would be phased out in the near future.

Mr. Butler further discussed the passage of the Public Safety Personnel Retirement System (PSPRS) reform, which involved considerable effort by both chambers of the legislature, as well as the governor's office. He explained that two items will be enacted into law and added that a third matter, Proposition 124, must be ratified by Arizona voters, which is included on the ballot for the May 17, 2016 election.

Mr. Butler highlighted a series of bills currently under consideration as follows:

City Authority/Regulatory Reform

Senate Bill (SB) 1487 – Provides a means by which cities that do not follow state law could be punished by having their shared revenue withheld and redistributed to other communities. City staff was concerned regarding the power that would be given to the Arizona Attorney General to make unilateral decisions with respect to actions taken by local Councils.

SB 1524 – Addresses various regulatory burdens placed on certain industries, such as Uber and Lyft. Staff was fairly comfortable with the bill and has been working with Governor Ducey's office to ensure that a few remaining items are resolved prior to it being signed into law.

SB 2517 – Would eliminate virtually all regulatory authority of the state, counties and cities in many different areas. Concerns have been shared by state agencies, various counties, Salt River Project (SRP), and numerous cities and towns. He was hopeful that the bill would die before it makes its way through both chambers of the legislature.

House Bill (HB) 2026 – This item was an annual attempt at the state legislature to eliminate the residential rental tax for multi-family residences, which would result in a \$10 million impact to the City of Mesa. The legislation did not garner sufficient support and died in its house of origin.

HB 2267 – The bill, which would dramatically change the manner in which the City collects prime contracting, was stalled when the Senate and the House could not reconcile how to proceed with this issue. Senator Lesko will form a study committee to work on this matter with various cities and towns over the summer months. The state has a complicated prime contracting system and the League of Cities and Towns recognizes that it was an issue that must be confronted.

HB 2483 – Sponsored by Representative Justin Olson at the City's request, the bill would permanently change the way in which shared revenue is distributed based upon annual census estimates. The law would provide the City a more stable budgeting process in order to better understand the impact of shared revenue on an annual basis.

SB 1290 – The bill would provide certain limitations with respect to schools being built under flight paths. At the present time, there are entities at the legislature that have kept this bill from moving forward and ultimately the bill was not assigned to a committee for a hearing.

SB 1350 – Governor Ducey and others have expressed an interest in pursuing the theme of a shared economy and ensuring that companies such as Airbnb and VRBO are able to operate in Arizona. This bill would consolidate the tax remittance process for rental properties, which would be handled by the respective company. In addition, the bill would require that all cities and towns allow short-term rentals in their communities. Mesa is working with the sponsors of the bill to ensure that the City has the ability to enforce its existing nuisance ordinances.

Public Safety

Photo Enforcement

HB 2540 prohibition; photo radar; HB 2122, photo enforcement; driver's license suspension; SCR 1010 photo radar prohibition; and SB 1520 photo enforcement; voter approval

Mr. Butler commented that the City of Mesa has always maintained that the Council, as opposed to the state legislature, should be the decision-making body concerning photo enforcement, how the program is deployed in the community and whether such a program should or should not continue. He pointed out that in this regard, the only bill that has passed would eliminate photo enforcement only on state highways not maintained by local jurisdictions.

HB 2690 – Certain interests at the State Capitol are attempting to do away with the Mesa Police Department's (MPD) ability to assess a fee on pawnbrokers, of which the funds are used to maintain an electronic database. Stolen goods and merchandise can be run against the database and hopefully returned to the rightful owners. This bill is nothing more than a special interest bill sponsored by pawnbrokers who would like to charge their own fees.

SB 1257 – Misconduct involving firearms in public places. Staff continues to monitor this issue and work with the sponsor of the bill to ensure that there are reasonable checks and balances put into place with respect to firearms in public places.

Mr. Butler commented that in speaking with Councilmember Glover, there has been some interest raised by the Mesa Fire and Medical Department (MFMD) concerning the fireworks bill, which is once again being considered by the state legislature. He explained that staff would attempt to mitigate the impacts of such a bill. The current bill would allow aerial fireworks, which has raised concerns with the fire community.

In response to a question from Councilmember Thompson, Mr. Butler clarified that since the enabling laws for payday loans expired, different groups have implemented other types of financial mechanisms in an effort to "get around the law." He stated that the payday loan industry remains very controversial at the state legislature and assured the Council that staff would continue to monitor the matter.

Mayor Giles stated that he wanted to make sure he understood that the residential sales tax bill is dead, even in the revised form that only applied to one or two single-family residences.

Mr. Butler confirmed the Mayor's statement and commented that until the legislature adjourns for the session, he would never want to say that the bill was completely dead. He pointed out, however, that even as the proponents of a watered-down version of the bill tried to bring it back, the same coalition that voted against the more onerous bill also voted against that version as well.

Mayor Giles recounted that in conjunction with the Transaction Privilege Tax (TPT) collection bill that passed a few years ago, Arizona cities and towns were assessed a premium to bolster the DOR in its transition to a new software system. He expressed concern that the DOR is still unable to perform the tasks that it is being paid to do. He requested that Mr. Butler provide the Council an update in this regard.

Mr. Butler clarified that in the last several months, it was necessary for the DOR to replace several top-level staff members who were working on the software project. He explained that the City has encouraged the DOR in this regard and suggested that it would be worse for the DOR to go live on the system when it was not ready.

Mr. Butler, in addition, remarked that the state is upgrading its entire IT platform over the next couple of years and said that City staff wanted to ensure that the platform was compatible with the DOR's new system. He said that with new staff and leadership at the DOR, as well as assistance from the governor's office, he was hopeful that there would be some positive results in this regard. He added that the go-live date for the new system is still to be determined.

Mr. Butler reminded the Council that the City of Mesa has paid \$760,000 this year for DOR operations, which is assessed based on population, as well as \$334,000 for TPT simplification. He said that the second payment is assessed to all self-collecting communities like Mesa in order to get the new system up and running.

Mayor Giles commented that out of fairness to the DOR, the agency is collecting Mesa's state income tax. He said his argument would apply to the \$334,000 assessment for the TPT collection that was still not being done.

Mr. Butler pointed out that there was some belief that the \$334,000 charge was for the purpose of getting the DOR's new system up and running, after which time it would be phased out. He added that there was additional discussion that the \$760,000 charge should not continue into perpetuity.

Mayor Giles thanked Mr. Butler for the presentation.

3. Acknowledge receipt of minutes of various boards and committees.

- 3-a. Public Safety Committee meeting held on January 21, 2016.
- 3-b. Audit, Finance & Enterprise Committee meeting held on January 21, 2016.
- 3-c. Judicial Advisory Board meeting held on February 1, 2016.
- 3-d. Economic Development Advisory Board meeting held on February 2, 2016.

It was moved by Vice Mayor Kavanaugh, seconded by Councilmember Glover, that receipt of the above-listed minutes be acknowledged.

Mayor Giles declared the motion carried unanimously by those present.

4. Hear reports on meetings and/or conferences attended.

Mayor Giles: South by Southwest Film Festival

5. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the schedule of meetings is as follows:

Thursday, March 17, 2016, 7:30 a.m. – Study Session

Thursday, March 17, 2016, 7:45 a.m. – Public Safety Committee

Thursday, March 17, 2016, 10:00 a.m. – Bike Share Launch

6. Adjournment.

Without objection, the Study Session adjourned at 5:52 p.m.

JOHN GILES, MAYOR

ATTEST:

DEE ANN MICKELSEN, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 14th day of March, 2016. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

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(attachment – 1)



2016 City of Mesa State Legislative Update

Mesa City Council Study Session

March 14, 2016



2016 Legislative Session

- Second Regular Session of the 52nd Arizona Legislature convened on January 11, 2016
- A total of 1219 bills have been introduced. Mesa has identified more than 200 bills that have a potential impact on the way we do business and provide services to the residents of Mesa.



Governor's Budget Proposal

- FY2017: \$9.4 billion budget
- Impact to Cities and Towns
 - No impact to Urban Revenue Sharing or state-collected sales tax
 - No impact to the Aviation Fund
 - Highway User Revenue Funds (HURF)
 - Department of Revenue (DOR) funding



Public Safety Pension Retirement System (PSPRS)

- S1428 and S1429 signed by the Governor on February 16, 2016
- SCR 1019 passed the Legislature on February 15, 2016
- Proposition 124 will be on the May 17, 2016 ballot



City Authority/Regulatory Reform

- SB 1487 state law; local violations; penalties (Pres. Biggs)
- SB 1524 regulatory actions; limitations (Sen. Smith)
- HB 2517 businesses professions; regulation restrictions (Rep. Petersen)



- HB 2026 ~~residential rental~~ S/E tax exemption, single family dwellings (Rep. Mitchell)
- HB 2267 prime contracting (Rep. Cobb)
- HB 2483 municipal population estimates (Rep. Olson)
- SB 1290 school buildings; airports (Sen. Worsley)
- SB 1350 online lodging marketplaces; taxation



Public Safety

- Photo enforcement
 - HB 2540 prohibition; photo radar (Rep. Townsend)
 - HB 2122 s/e photo enforcement; driver license suspension (Rep. Mesnard)
 - SCR 1010 photo radar prohibition (Sen. Smith)
 - SB 1520 s/e photo enforcement; voter approval (Sen. Smith)
- HB 2690 pawnbroker licensure; DPS (Speaker Gowan)
- HB 2566 s/e pawnbrokers; transaction fee prohibited (Speaker Gowan)
- SB 1257 misconduct involving weapons; public places (Sen. Kavanaugh)



Comments

&

Questions