

CITY COUNCIL REPORT

DATE: June 24, 2015

TO: Mayor and Councilmembers

FROM: Jerene Watson, Deputy City Manager

CC: Jeff Meilbeck, Josh Copley, Leadership Team, Sarah Darr, Rebecca Sayers, Mike Scheu, Richard Travis, Triadvocates, Nicole Woodman

SUBJECT: RECOMMENDATIONS ON THE CITY'S PROPOSED RESOLUTIONS TO THE LEAGUE OF ARIZONA CITIES & TOWNS RESOLUTIONS POLICY COMMITTEES

This report provides you with a brief overview of the discussion and recommendation by three League Policy Committees which were assigned the City's five proposed resolutions (see attached) for consideration. All five of our Resolutions have some action moving them forward in some way. The (1) Pension Reform, (2) Energy Districts and the (3) Housing Trust Fund Restoration will appear as Resolutions on the agenda for the August Resolutions meeting held the Tuesday afternoon of the state League conference. Other options were recommended as the next steps to accomplish the outcomes desired on our other three Resolutions before introducing or supporting any legislative efforts.

DISCUSSION

JUNE 5

GENERAL ADMINISTRATION, HUMAN RESOURCES, AND ELECTIONS POLICY COMMITTEE (GAHRE) convened at League offices, with Mayor Nabours as a Committee member attending via phone, and Jerene Watson in attendance to present the resolutions before the Committee. The Committee considered 14 resolutions that had been submitted by seven cities on five topics: **(1) PSPRS**, **(2) Public Notices & Records Requests**, **(3) Local Control/Charter Authority**, **(4) Annexation**, and three **(5) Miscellaneous items** (retention basin improvement districts; definition of a supermajority; requirements of a valid legal protest relating to rezoning). Two of our Resolutions were discussed in this Committee and a summary of those two items follows.

COF Resolution #1. Public Safety Pension Reform: was brought forward by the League staff, Yuma, Flagstaff and Prescott. League staff had convened a task force about a year ago and they have now developed Preliminary Recommendations (aka The Yardstick), per the attached. It has all the League resolutions imbedded in it, serving small and large cities. The Task Force has met with all the stakeholders, and the next step is to get a legislator to move this forward, understanding discussions continue with the Fire service proposing a competing plan that focuses on numbers and percentages (which the task force says will not get us out of the hole). Education will be key. The plan in a nutshell proposes:

- a. Moves the plan from Defined Contribution to Defined Benefit

- b. Applies only to new employees and leaves current employees in existing system
- c. Would take effect July 1, 2016
- d. Pools assets and liabilities with one uniform employee contribution rate and one employer rate at a 50/50 split (mirrors current ASRS) with an option for those firefighters who do not pay into/ineligible for Social Security)
- e. Consolidates administration into one single entity rather than several hundred with one independent disability committee of experts

MOTION: Moved unanimously to use the League Task Force resolution language

COF Resolution #2. Local Control/Charter Authority: the Committee chair reminded participants that the Local Control issue is a Guiding Principle in the League's Policy statement each year. After discussion, questions and answers from Yuma and Flagstaff who both proposed resolutions in this area, it was determined that:

- a. there will be follow-on discussions to determine if there are ways we can discuss strategies that might be more effective in our annual fight to maintain the rights of cities. Tom Belshe to follow-up with Flagstaff (I will work with Meg Roederer and coordinate with Tom to set up a conference call in July with interested Councilmembers).
- b. potential item for discussion at the League Resolutions meeting at the annual conference in August.

MOTION: Moved unanimously to make the principle of local control a stronger statement in the Guiding Principles.

JUNE 10

BUDGET, FINANCE AND ECONOMIC DEVELOPMENT (BFED) POLICY COMMITTEE

convened at the League and Jerene Watson and staff participated by phone to present two more Flagstaff resolutions. The Committee reviewed six Resolutions: **(1) Energy & Conservation Financing Districts;** **(2) Changes to state statute for Professions & Occupations, relaxing Arizona Registrant requirements on small projects;** (3) Tax credits to equalize the maximum tax credit allowed to qualified charitable organizations, private and public schools; (4) Economic Development Reimbursement Authority by allowing municipalities to invest in infrastructure and improvements and repay through the increased property tax revenue of the improvements; (5) Leveling of inequity of state-shared revenue distributions to municipalities through a point-of-origin formula rather than population based; (6) Enabling legislation for enhanced revenue authority and options allowing voters of cities to reset or increase primary property tax with dedicated primary levy (e.g. roads, public safety, etc.).

COF Resolution #3. Energy & Conservation Financing Districts: Jerene presented the City's resolution which was followed by some questions and answers that Jerene and Rebecca Sayers fielded. Phoenix commented that reach out to ATRA (Arizona Tax Research Assn.) was essential to get their blessing for any success with such legislation. Tucson committed to continue working with their consultant and other interested cities (Bullhead City, Flagstaff, Payson, Phoenix and Clarkdale) as they did in this last legislative session to move away from a district concept and said they would work with Flagstaff and get bankers involved with the consultant. The Committee encouraged seeking a mechanism that accomplishes the desired outcome through a non-legislative approach and join Tucson's efforts (e.g., using the PACE program approach-- Property Assessed Clean Energy) considering a legislative effort may not be viable. The Committee also noted that the Legislature has been resistant to creating additional special districts, but if the resolution

is broad enough, the League can continue to work on finding the appropriate legislative “mechanism.”

MOTION: The committee voted unanimously to move this issue forward as a Resolution with the understanding it remains broad as the details continue to be developed.

COF Resolution #4. State Statute Technical Amendment on Ch. 32-144 (Professions & Occupations): The Committee carried on an extended conversation with Mike Scheu who presented this resolution. Based on some concerns of the Committee, he agreed that it would be acceptable to add language on structural soundness to cover roofs.

MOTION: The Committee voted unanimously to identify this as a “Significant Municipal Issue” and tasked the League staff to work with AIA (architects’ association in Phoenix) and bring together stakeholders to discuss this pre-Session in an effort to find common language they could support.

JUNE 24

NEIGHBORHOODS, SUSTAINABILITY AND QUALITY OF LIFE POLICY COMMITTEE

The Committee was convened at the League offices, with Committee member Michelle D’Andrea, Deputy Housing Director Sarah Darr and Jerene Watson attending via phone. Five proposals were considered: (1) Permissive legislation that allows towns in specific circumstances to bill property owners for utilities; (2) AZ State Parks under long-term leases to partner on operation and maintenance; (3) **Restoration of AZ Housing Trust Fund**; (4) Reauthorization and funding of the AZ State Park Heritage Fund; (5) Expansion of State Licensure Requirements and Local Enforcement Authority for Sober Living Housing

COF Resolution #5. RESTORATION OF THE ARIZONA HOUSING TRUST FUND:

Jerene and Sarah presented the Council request for restoration and the need behind the proposed resolution, the longstanding source of state assistance to affordable housing and also how it is used to meet numerous needs as well as leverages federal funds, especially for rural Arizona. Debate among committee members followed about the risk of taking hits to other areas of funding cities like State Shared Revenues and the apportionment of the Dept. of Revenue charges to cities, etc. if we ask for this. There was discussed whether the full Resolutions Committee will want this to be one of the top five priorities. Committee member and Sedona Mayor Moriarity was very passionate in stating the importance of moving this forward and having the discussion at the League conference rather than side watering this with meetings with state agencies, the Governor’s office or AZ Housing Alliance, who is making this part of their state agenda. The Alliance is seeking endorsements for their platform from non-profits and municipalities. Chair Lopez from Coolidge also spoke to the importance of such funding to rural Arizona.

MOTION: Unanimous to move the Restoration of the Housing Trust Fund forward to the full Resolutions committee at the August meeting.

RECOMMENDATION / CONCLUSION

This report is for information only.

NO.	2016 PROPOSED LEAGUE OF CITIES & TOWNS RESOLUTION SUMMARIES	COUNCIL & STAFF COMMENT
1	<p>PUBLIC SAFETY PENSION REFORM: Adopt further improvements to Arizona's public safety retirement system that will promote affordability for taxpayers while providing for the benefit promised to workers. These improvements should include a plan to effectively deal with the problem of unfunded liability, bringing a balance within a reasonable period of time while ensuring that Arizona remains competitive in its ability to recruit and retain talented public safety employees.</p>	<p>The disparate fiscal impact on each of the municipalities varies widely and creates challenges in budgeting and planning for the future. The current unfunded liability and increasing contribution rates for the public employee retirement systems are not financially sustainable and create a heavy burden on local governments to continue to fund pensions.</p>
2	<p>RESTORE ARIZONA HOUSING TRUST FUND. Created in 1988 as a flexible funding source to assist low-income households in Arizona, it was funded from the sale of unclaimed property, such as stocks or savings accounts abandoned by the owner, often due to a death without a will. Prior years the Fund received over \$30m annually but capped in 2010 at \$2.5m.</p>	<p>Municipalities and non-profits are eligible to apply to receive an allocation of the Housing Trust Fund to further housing objectives within their communities. Restoration of funding to the Trust Fund will enable a greater number of grant applications to be funded as well as other funding leveraged.</p>
3	<p>ENERGY & CONSERVATION FINANCING DISTRICTS Request and encourage the Arizona State Legislature to establish a mechanism enabling local government to establish renewable energy and conservation financing districts for commercial properties.</p>	<p>In addition, encourage the Arizona State Legislature to identify and define energy efficiency, renewable energy and water conservation as a public benefit that enhances the public good and promotes the health, safety, prosperity, security, and general welfare of the community. (Note: this evolved into the term that Tucson used: Property Assessed Clean Energy (PACE))</p>
4	<p>Change ARS 32-144, Professions & Occupations, registration requirement where a commercial tenant improvement project of less than \$10,000 would not require an Arizona Registrant to design and stamp the project.</p>	<p>Permits a non-registrant to design changes in a commercial tenant improvement without the cost of having the Registrant Design and Stamp, saving on average \$2500 for the citizen. Current statute requires any modification to a building or part of a building that is 3000 Sq. Ft. or larger requires an Arizona Registrant to design the change. Even if the remodel involves only the building of one or two walls that are non-bearing which may cost a total of \$1200, with the architect fees, the cost could go up to a minimum \$2800 dollars or more. That is if the registrant will even take on the job. Many times the person cannot find a registrant to take the time for such a small job.</p>
5	<p>STRENGTHEN EFFORTS OF CITIES AND TOWNS TO RETAIN LOCAL CONTROL. Rights of municipalities to self-determine local legislation that reflects the desires of our community residents has been diminished notably in recent years. The efforts of cities and towns to sustain or improve quality of life and enact ordinances which embody the values of communities is increasingly eroding. The effectiveness of individual city efforts along with those of the League of AZ Cities and Towns in maintaining the rights and balance of decision-making at the local level needs to be strengthened. Strategies need to be discussed collectively to coalesce more unification of cities to fight for decision making to be retained at the local level. This year cities saw the Legislature and the Governor overreach and not respect the authority of cities in passing SB 1241, the law which will preclude citizens within any city from banning plastic bags.</p>	<p>Council discussion: Wants to strengthen efforts with new approaches to protect local control more than what is currently in the League's Guiding Principles. Would like the League to work towards repeal of the strike everything bill on Plastic Bans Note: LEAGUE OF AZ CITIES & TOWNS Core Principle: <i>Decentralized government at the local level represents a fundamental principles of American democracy, recognizing that when it comes to community governance, one size does not fit all.</i> <i>The League calls upon the Legislature to respect the authority of cities and towns to govern their communities in the best interests of their residents. The League will endorse legislation that supports and sustains the principle of local control and reject legislation that conflicts with the autonomy of cities and towns.</i></p>

The Yardstick

Preliminary Recommendations: May 15, 2015

Prepared by the League's Pension Task Force

1. DEFINED BENEFIT PLAN

- The pension benefit is predetermined by a formula based on employee compensation, age, and tenure of service

2. FREE FROM LEGAL CHALLENGE

- All current employees and all current retirees remain in the existing system

3. NEW STATEWIDE SYSTEM

- For employees hired after July 1, 2016

4. PLAN ELEMENTS OF THE NEW STATEWIDE SYSTEM

- **Pooled Assets and Liabilities.** Shares risk across the broadest base
- **Fully Funded.** Assets at least equal liabilities (at least 100%) over an economic cycle
- **Equal Cost Sharing.** Equal employer and employee contribution rates
- **Funding New Benefits or Benefit Increases.** Funded as a system component and only if the system is determined to be fully funded before and after the change
- **Pension Increases.** To maintain purchasing power
- **In-Lieu of Social Security Program.** Mandatory participation in an employer-matched Defined Contribution plan for those members not in Social Security

5. GOVERNANCE STRUCTURE

- **System Design.** Structure which encourages sustainable outcomes
- **Funding Policy.** Identifies financial objectives to ensure equity and sustainability
- **Investment Policy.** Identifies beliefs and objectives regarding asset allocation
- **Board of Trustees.** Independent, qualified experts with fiduciary responsibility of ensuring compliance with Plan Elements
- **Administration.** Consolidated and one independent disability committee of qualified experts