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CITY COUNCIL REPORT

CITY CLERK DEPT.

POLICY AGENDA

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TO: Karen Peters
Deputy City Manager

AGENDA DATE: Dec. 13, 2016

FROM: Frank McCune
Government Relations Director

ITEM:3

SUBJECT: 2017 STATE LEGISLATIVE AGENDA

This report describes the City's proposed state legislative agenda for the First Regular Session of the 53rd Arizona State Legislature. Once considered and approved by the City Council, the agenda will define the City's state legislative priorities and guide the City's lobbying activities at the State Legislature. As bills are introduced and debated, the agenda will evolve as directed by the Mayor and Council. The session will commence on Monday, Jan. 9, 2017.

Staff will brief the Mayor and Council throughout the legislative session and seek policy direction regarding bills and amendments that impact the City.

THE ISSUE

In order to prioritize and guide staff's lobbying efforts, we recommend that the Mayor and Council endorse familiar, but critical, guiding principles as our highest priorities – maintaining and protecting **shared revenues**, opposing **unfunded mandates**, preserving **local authority**, and involvement in **water resource** matters.

Shared Revenues – The City's budget includes revenues from a number of State sources, most importantly "shared revenues" from state income, sales, and vehicle license taxes. Shared revenues make up approximately 32 percent of the City's general fund, helping to pay for police, fire, streets, parks, and other critical City services. Staff recommends the City oppose any reduction of shared revenues.

The state shared revenue system first came into existence in 1942, when Arizona voters approved an initiative requiring that a percentage of state sales taxes be shared with cities and towns. In 1960, statewide voters approved a measure to share the gas tax with municipalities. And, in 1972, statewide voters approved sharing of a percentage of state income taxes with local governments. Shared revenues have become a critical component of the City's general fund budget.

Oppose Unfunded Mandates – Staff recommends the City oppose state legislative efforts to shift new responsibilities to the City without accompanying funds.

Local Authority – The City's Charter empowers Phoenix residents to determine the structure and authority of City government in our community. Staff recommends the

City work to protect the ability of the Mayor and Council to set policy at the local level and oppose legislation that preempts local authority.

Water Resources – While Phoenix and the Valley have sufficient water resources for now and the foreseeable future, the Arizona Department of Water Resources and stakeholders from statewide organizations are working to coordinate efforts in building adequate infrastructure and protecting water resources. Staff recommends that the City participate in these efforts to ensure that Phoenix's water supply is protected.

PROPOSED 2017 STATE AGENDA

Each year Government Relations works with City staff to identify issues or concerns that will require state legislative action to address. The Law Department assists to confirm the need for state legislation as well as with drafting legislative language. Staff recommends that the City pursue and/or support legislation in the following areas:

I. PUBLIC SAFETY

A. 911 Public Safety Funding

The 911 funding model established in 2001 for telecommunication excise tax (911 tax) had an automatic reduction written into the legislation. The monthly fee dropped from 37 cents per month to 28 cents per month and finally in 2007 to 20 cents per month. More than \$52 million in 911 fund sweeps have occurred since 2003. Approximately \$18 million is now collected annually and distributed to the 911 systems throughout the state. Annual collection has fallen short of the 911 system requirements and requests. These monies are critical to ensure that the 911 public safety network is not compromised.

Staff recommends supporting efforts to seek additional resources to support the 911 public safety networks.

B. Seek Identification for Persons Exiting the Department of Corrections System into Official Reentry Programs

In 2012, the Arizona Department of Corrections (ADOC) opened a re-entry center in Tucson, providing parolees with services, and under certain conditions temporary housing, to assist with their reintegration into the community. In 2016, ADOC opened a second reentry center in North Phoenix, adjacent to the current Adobe Mountain juvenile corrections facility. Residents in the immediate area have expressed concern with an infusion of these parolees at that site, worried about the safety of their families. Councilwoman Thelda Williams has requested that ADOC require these parolees to carry identification to assist law enforcement on any calls for service involving these individuals.

Staff requests the authority to work with ADOC to require identification for parolees reentering our communities.

C. Continued Public Safety Funding

While protection of state shared revenue remains a priority, other public safety related funds are also important to the City, including the following:

1. Continued funds for the Arizona Counter Terrorism Information Center (ACTIC).
2. Authorization of monies for Internet Crimes Against Children (ICAC) investigations.
3. Adequate Arizona State Hospital funding to ensure the safety of residential areas located near the facility.

Staff requests the authority to pursue these public safety related funds.

II. STREET TRANSPORTATION DEPARTMENT

D. Procurement Revisions to Title 34 of the Arizona Revised Statutes

A major portion of Title 34 of the Arizona Revised Statutes pertains to the process of building public infrastructure projects. The Street Transportation Department staff recommends working with stakeholders on potential legislation that would do the following:

1. Consolidate architect and engineer fee limits for direct select contracts. Currently, there are two different fee limits for architects (\$250,000) and engineers (\$500,000). As a matter of fairness, and to simplify the procurement process for the City, a single fee limit should be applied to both.
2. Simplify limitations of force account work / work done without bidding – This would simplify the statutory limitations for public agencies to either perform construction work with their own staff or to select a contractor without formal bidding or competitive processes. Currently, there are multiple dollar limits for different types of construction work, and each are measured on different costs (labor, materials, equipment, etc.). This change would create a single statutory limit for public agencies to either perform construction work with their own staff or to select a contractor without formal bidding or competitive processes, providing the City more flexibility and reducing delays when emergency infrastructure repairs are needed.
3. Eliminate formal advertising requirement to be in published newspaper. This would allow public agencies to use alternate publication and noticing options to advertise public procurement opportunities. This may be more effective at reaching a larger population of interested businesses and result in a cost savings to the City.

4. Broaden the definition of who can lead a design build team, allowing non-contractors to lead if it is in the best interest of the project. For example, architecture firms, nonprofits, and public-private partnerships may be in a better position to take the lead on certain projects, especially if they are going to manage and maintain the facility after construction. All construction work performed under the contract would be required to be performed by a licensed contractor. This would streamline the construction process, resulting in a better overall project for the City.
5. Add a new construction services project delivery method (best value), which would provide an alternative to low-bid. With a “best value” approach, the City could consider non-price evaluation criteria (project schedule, quality management, safety management, experience, qualifications) in combination with price (low-bid) evaluation criteria in a single procurement. This would provide an additional approach to developing quality infrastructure.

These legislative changes will help cities and towns in their procurement efforts to execute their capital improvement programs. The changes will bring efficiency to the procurement process, reduce complexity in interpreting procurement law, and provide additional flexibility to the procurement process by incorporating a new procurement method.

Staff recommends supporting efforts that lead to procurement revisions in Title 34 of the Arizona Revised Statutes.

III. SUSTAINABILITY OFFICE

E. Property Assessed Clean Energy (PACE) Program

Currently, all costs of energy upgrades (i.e., energy efficiency, renewable energy, and water conservation) to buildings require the builder or owner to pay for the full cost upfront without necessarily being able to recover those costs through the energy savings. Future property owners are left to cover the increased energy costs from operating/owning buildings that could have cost-effectively been upgraded at the time of construction or renovation. PACE programs allow the cost of these improvements to be attached to the property title and repaid through property taxes over time - similar, in concept, to a local improvement district. This would only occur if the property owners voluntarily opt to participate in this program. States that have enabled PACE have attracted \$2.2 billion in economic activity from nearly 100,000 participants.

Staff recommends supporting efforts that would establish a PACE program in Arizona.

F. Alternative Generation-1 (AG-1) Program

Five years ago, the Arizona Corporation Commission approved a pilot AG-1 program whereby large energy users could bulk purchase their own energy, and an electric utility could only charge a rate that would allow it to recover the cost of transportation (delivery) of the electricity. The cost savings depend on the difference between the negotiated or market price and the average utility rate. Over the last four years, the City of Phoenix has saved over \$8 million on energy costs through AG-1 agreements. This program is set to expire in 2017.

Staff recommends supporting the extension of the AG-1 Program.

G. Volkswagen "Clean Diesel" Settlement Monies

The Volkswagen Group has been ordered to pay \$15 billion as part of a settlement with the U.S. federal government to address thousands of Volkswagen vehicles that were sold in America without proper emission controls. A portion of these monies will be provided to states that apply to participate in "Clean Diesel" programs. If Arizona opts in, it would receive an estimated \$53 million for clean diesel programs that result in air quality improvements.

Staff recommends working with the State in order to receive funding for qualifying projects that would result in air quality improvements in the Greater Phoenix area.

IV. MISCELLANEOUS

H. Health Care Options for City of Phoenix Employees' Retirement System (COPERS) Retirees

COPERS retiree health plan premiums have increased significantly in recent years and are expected to continue to rise faster than market trend, making the plan unsustainable. Allowing COPERS retirees to participate in the Arizona State Retirement System (ASRS) health benefit program would provide more affordable and comparable health care to COPERS retirees. ASRS has a much larger pool of enrollees, and for this reason, it is expected that making ASRS benefits available to COPERS retirees would not increase costs to the state.

Staff requests the authority to work with ASRS to allow COPERS retirees to participate in the State's health care program.

RECOMMENDATION

Staff recommends approval of the proposed 2017 State Agenda.