



# 2017 Legislative Agenda

The City of Prescott provides superior and financially sustainable municipal services, and leadership in the region. Prescott is a beautiful, growing city with a vibrant historic downtown, the regional economic center, and a first-class tourist destination. A livable, dynamic community, Prescott offers a range of housing choices, where residents and guests enjoy active lifestyles with great recreation and leisure amenities and a high quality of life.

## Prescott City Council Strategic Plan Priorities

- Ø Balanced Budget – Stabilizing the General Fund, continually supporting the market compensation plan, and providing adequate and stable funding and flexibility to maintain a balanced budget as required by the Charter
- Ø Economic Development – Providing an environment to enable prosperity and job creation by providing great services
- Ø Quality of Life – A clean and safe city that provides superior essential services and enhances opportunities that allow for retention and attraction of people who want to live, learn, work, and play in Prescott
- Ø Service-Oriented Culture – Promote an accountable organizational culture of excellent, superior, and solutions-driven service

## Guiding Principles

### I. Oppose Preemption of Local Authority

**SUPPORT** the retention of local government decision-making authority. Prescott was enabled by its residents to provide an expanded degree of self-government via the City Charter, empowering the Prescott City Council to make decisions recognizing the unique needs and characteristics of the City in the best interests of the community. Unfunded mandates imposed by the State of Arizona legislature are little different than federal mandates placed upon the state of Arizona, which are vocally opposed by many of our legislators due to the cost of implementation and impact to states rights. Unfunded mandates and preemptive efforts remove the ability to set policy at the local level, and should be **OPPOSED**.

## II. Preserve Local Funding

**PROTECT** existing funding and authorities that bring revenues necessary to the City of Prescott and support the quality of life our residents expect and are paying for. This includes protection of state-shared revenues, the ability to collect compensation for uses of public rights-of-way, and opposition to the imposition of new fees by other levels of governments that would increase costs to the City and its residents.

**State Shared Revenues** – Through a series of initiatives, Arizona voters chose to return a portion of tax revenues to local communities through revenue sharing. This was provided to municipalities in exchange for limitations to local taxing authority such as income and luxury taxes. The City's adopted FY 16/17 General Fund budget includes as revenue \$11.6M in state-shared revenues (\$3.9M Sales Tax, \$5.1M Income Tax, and \$2.5M Vehicle License Tax). Those state-shared revenues fund 35% of the City's General Fund Operating Budget of approximately \$33.3 Million, and are the equivalent of 52% of the \$22.4 Million Public Safety Operating Budget. Since 2003, the City has lost over \$2.1 Million in street funding due to State HURF sweeps.

***SUPPORT** cooperative efforts by and among the State, League of Cities and Towns, and other stakeholders to streamline Arizona sales and use taxes in a manner that does not unduly jeopardize funding available to municipalities within rural areas of the state, including Prescott.*

***OPPOSE** future sweeps of Highway User Revenue Funds (HURF) allocated to Arizona cities and towns.*

***OPPOSE** legislation that further erodes the City's existing revenue base, such as elimination of taxable categories of retail sale, residential rental and construction sales tax (at point of construction).*

***SUPPORT** the reinstatement of Highway User Revenue Fee (HURF) according to current funding formulas as an essential component to adequately fund the proper maintenance and preservation of the capital investment in our streets and roads.*

***SUPPORT** the inclusion of "Use Tax" collected by the State of Arizona in the state sales tax sharing formula that distributes the funds to Cities and Towns. Use Tax replaces the Sales Tax when a purchase is made out of state for use in state.*

***SUPPORT** legislation that provides greater flexibility in local funding sources to provide assured revenue for the provision of public safety services, including but not limited to statutory authority to place an increase to the local primary property tax, beyond the current allowable effective tax rate increase, on a local election ballot for approval of the qualified electorate.*

**MONITOR** state collection of Sales Tax, and administration of new audit procedures (enacted by HB 2111). **SUPPORT** changes as necessary to insure successful implementation, providing revenue and useful information to the City in a timely manner. Request that the Department of Revenue be required to provide a report to the Legislature, Cities, and Towns detailing their progress toward full implementation, and meaningful performance information on an ongoing basis thereafter.

## **State Legislative Objectives for the 2017 Session**

**Adequately Fund and Reform State Pension Plans** – To remain solvent, Arizona’s public pension systems must accumulate sufficient assets during members’ working years to pay all promised benefits when members retire.

The City of Prescott participates in two of the four state pension plans, Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS). Employees and employers pay a substantial amount for each employee in each respective system. In 2016, during the second regular session of the 52<sup>nd</sup> Arizona Legislature, PSPRS was amended to create Tier III, applicable to all new hires beginning July 1, 2017, within a more sustainable long term formula. The new Tier III still requires decisions about pooling of assets and consolidation of Local Boards, with a draft analysis in the review stages, and anticipated to be finalized in January 2017.

Combining the local boards to a single or drastically fewer entities for all Tiers of PSPRS membership, as well as assuring pooled liability for Tier III members will help to avoid further inequity of individual entity liability as it relates to smaller more rural communities, and is essential to the continued sustainability of public safety models in these areas. Further, continued discussions with partner agencies and the State of Arizona to review options to reduce the remaining unfunded liability for Tier I and II member benefits will assure the lowest long-term cost to Prescott taxpayers either through shared repayment of the liability, or a clear local path to reducing the debt, in the absence of statewide solutions.

**OPPOSE** legislation that would increase the cost of pension programs to the employee or employer without addressing structural deficits in the existing systems.

**SUPPORT** efforts to pool Tier III PSPRS liability, consolidate the current local board structure, and assure realistic governance requirements.

**SEEK** legislation and other partnerships that improve the financial position of the “legacy” PSPRS system which should be closed to any future members upon inception of the new tier.

**Pursue partnerships to fund Prescott Municipal Airport Enhancements and other Economic and Tourism Initiatives** – A strong and vibrant economy is essential to Arizona and to the quality of life for the City’s residents, businesses, and visitors.

Proper and sustainable economic vitality is one of the primary strategic plan initiatives set forth by the City Council and is directly reflected in the 2015 General Plan. In Prescott, a key economic driver is tourism, encompassing transportation, catering, accommodations, recreation, and other services for travelers. In 2015, Tourism resulted in a \$340 million total economic impact to Prescott, generating \$46 million in federal, state, and local taxes.

**SUPPORT** *the continuation of a statewide entity, such as the Arizona Commerce Authority (ACA), and the Arizona Competes Fund, to assure funding availability to bolster potential Public Private Partnership for development of the Airport, be a magnet for direct investment, and retain and expand existing businesses and attract new businesses.*

**SUPPORT** *options to create regional authorities and financial assistance options including bonding authority through creation of a transportation and/or airport authority, to improve and attract commercial air service.*

**SUPPORT** *a sustainable, long-term funding mechanism for state tourism promotion. Increase awareness of the positive economic impact of Arizona tourism to business and community leaders, and support policies that enhance the reputation of Prescott and other Arizona towns as providing high quality and cutting-edge health care facilities and service. Position Prescott to consistently attract and host high level events.*

**OPPOSE** *legislation that reduces partnership and funding opportunities for development and improvements to attract investment, or further restricts local options to provide an environment that welcomes jobs and economic development.*

**Water Service and Supply** – The City of Prescott and its water service area are contained within a state defined water Active Management Area (AMA). The City also has been legally recognized by State statutes and Arizona Administrative Codes to be a Designated Provider of Assured Water Supplies (AWS) who has responsibilities for aquifer water supply protection by limiting the use of groundwater supplies and requiring significant annual reporting to document groundwater pumping and conservation efforts. The City, within the AMA, is also entirely contained within Yavapai County. State records, Arizona Department of Water Resources well databases, show that this County has the highest number of private (exempt) wells and drilling of new private wells continues at the fastest pace.

In 2006, legislative action placed into law A.R.S. §45-454(C); this allowed for exemptions to well drilling within 100' of a Designated Water Provider. The City has found repeatedly that these exemptions, allowing for well drilling activity within 100' of the community supply lines, counter to the intentions of the AMA Assured Water Supply and Safe-yield requirements. Further, since 2009 it has become more evident how the loopholes created by this law are being misused with what appears to be no ability by the ADWR to take corrective actions to reasonably interpret specific language in §45-

454(C), and assure it better aligns with the remaining State water laws, some of the most progressive water management laws in the Nation.

It is essential to ensure the protection and enhancement of the city's ability to provide safe, sustainable, and reliable water (and wastewater) services at a reasonable cost.

**SEEK** legislation to address the continued drilling of new private exempt wells within the corporate limits of Prescott and its service areaby creating statutory language or rulemaking that assures the statutes are not misused to access exempt wells in areas where supply and connection is available and at a reasonable cost to the property owner.

**SUPPORT** legislation to protect and maintain the city's established surface and ground water supplies.

**SUPPORT** legislation to ensure the city's role in water supply management and continued use of reclaimed and remediated waters to continue to reduce groundwater overdraft.