

**BOARD OF SUPERVISORS MINUTES
GILA COUNTY, ARIZONA**

Date: September 25, 2012

TOMMIE C. MARTIN
Chairman

JOHN F. NELSON
Clerk of the Board

SHIRLEY L. DAWSON
Vice-Chairman

By: Marilyn Brewer
Deputy Clerk

MICHAEL A. PASTOR
Member

Gila County Courthouse
Globe, Arizona

PRESENT: Tommie C. Martin, Chairman (via ITV conferencing); Shirley L. Dawson, Vice-Chairman; Michael A. Pastor, Supervisor; Don McDaniel, Jr., County Manager; John Nelson, Deputy County Manager/Clerk; and Marian Sheppard, Chief Deputy Clerk. No attorney was present.

1. Call to Order – Pledge of Allegiance

The Gila County Board of Supervisors met in a work session at 10:00 a.m. this date in the Board of Supervisors hearing room. Michael Pastor led the Pledge of Allegiance.

2. Information/Discussion on the Arizona Public Service Energy Services Company, Inc.'s Energy Audit Report.

Steve Stratton, Public Works Division Director, stated that on April 5, 2011, the Board of Supervisors approved a Professional Services Agreement with Arizona Public Service Energy Services Company, Inc. (APSESC), now known as Ameresco, to perform an energy audit on all of the County's facilities. Mr. Stratton advised that Leonard Byrd, Senior Account Executive for Ameresco, would be giving the Board a presentation on the findings of that audit. He stated that at the time of approval, the Board was provided with 2 options after reviewing the audit—the County could go ahead and make the investment to do all of the upgrades suggested in the audit or the County could decline the suggestions, but would have to pay for the audit itself, which would still be a good working tool. Mr. Stratton stated that he understood the Board would not be making a decision on this at today's work session; however, at a future regular Board meeting he would present an agenda item for action. He noted that one of the contractors in the audit is no longer in business so if the Board does decide to go forward with this project, then Mr. Byrd will have to get another bid from another contractor. He then called on Mr. Byrd. Mr. Byrd advised the Board that originally the approved study was to be done by APSESC (a sister company to APS Utility) until August 2011 when it was sold

as a complete entity to Ameresco, which is a large nationwide energy services company compared to a local regional one. Mr. Byrd then gave a PowerPoint presentation entitled “Gila County Investment Grade Audit.” The Globe facilities that were of substantial square footage that were included in the audit are as follows: the Courthouse, Sheriff’s Office and Jail, Women’s Dormitory, Juvenile Detention Center, Guerrero Complex, Central Heights Complex, Fairgrounds (Exhibit Hall only), New Operations Facility and the Michaelson Building. The Payson facilities included the Payson complex, the Roosevelt substation, Sheriff’s Office, Public Works and Transportation. A utilities chart for 2010/2011 showed that the County expended approximately \$777,353 per year for electricity, natural gas, water and operations and maintenance. According to Ameresco’s audit, the targeted reduction based on experience with other facilities in the area would be an approximate 19% decrease in utility costs. However, Mr. Byrd explained that since the audit report was completed, some issues have arisen causing his company to have to reevaluate a few areas. Those included the loss of the contractor due to the economy and in July there was a change in Arizona law that will now reduce some of the savings that were going to be used to offset the cost of the project. The whole objective of this project was to completely fund itself in savings so there would be no capital outlay by the County. However, now the method that was allowed by state law to utilize the maintenance savings or the avoided capital savings has been restricted to energy only, so the operational benefits of replacing a unit that is at the end of its useful life can no longer be claimed. Unfortunately the report being reviewed by the Board was based on those savings. Mr. Byrd then reviewed the proposed features and benefits of the project and stated that the original objective was to save approximately \$151,000 a year on energy savings capital upgrade; however, that number is going to be less than projected. He anticipated having solid answers for the Board today; however, that has proven to be quite a challenge. He also noted that by state law, the resulting savings from the project have to be guaranteed so that the County can make the payments that would be required to fund the project, so if those savings are not realized Ameresco would have to make up the difference on an annual basis. Mr. Byrd wanted the Board to understand that under no circumstances would the County have to put out any money from its capital budget for this project. He continued to explain that the overall measures that are contemplated under the audit include temperature control, system upgrades, lighting retrofits across virtually all County buildings, some older HVAC air conditioning & boiler equipment upgrades, economizer retrofits that utilize outdoor air when the outdoor air is conducive to utilizing it for free as compared to mechanically conditioning the air, water conservation, programmable thermostats and environmental benefits that go along with this project—reduced greenhouse gases, etc. Mr. Byrd then reviewed a chart showing the energy conservation matrix, which was an overall measure list of items to be addressed on a facility by facility basis. He further explained that unfortunately those measures will fall short because they will not meet the state funding requirements to pay for themselves within a 15-year time period. The next item reviewed was lighting retrofit, which would be a change in the

aged lighting equipment to the new T-8 technology that is a lot more energy efficient with a savings of 60-70% in conjunction with the use of reflectors. Mr. Byrd also reviewed proposed HVAC replacements as well as direct digital controls for cooling and heating. While reviewing a graph on performance contracting cash flow, Mr. Byrd explained that the objective of the project is to effectively use the savings that are gained by doing the project to pay for the financing required to do so. He noted that right now finance rates are as low as they have ever been so it's a good investment time to maximize the projects that should be done to improve the County's infrastructure at a time when capital doesn't have to be invested. Instead of spending money on utilities, the County would be investing in its own facilities. Once the financed project has been paid, then the total amount of savings would come back to the County's facilities with the typical life cycle of the equipment at a 25-year useful life. Additional program benefits would be that all improvements would be fully funded by guaranteed reductions in utility costs with no capital costs for new equipment; reduced maintenance and repair costs during equipment warranty; and project savings targets are based on 2010/2011 utility costs with a 3% annual escalation based on historical consumer price index data 20-year average. He also noted that the present Arizona Public Service request for a 15% electric rate increase is not included in this current cost reduction. Mr. Byrd concluded his presentation with the environmental benefits of the project by the reduction of pollutants. Mr. Stratton stated that Mr. Byrd had requested to delay his presentation until the appropriate updated numbers could be put together, but he felt like it had been long enough since the approval of the audit and needed to be presented to the Board. Each Board member thanked Mr. Byrd for his presentation. Mr. Byrd stated that he would be updating this actual report and in doing so he was stretching to have the savings cover as many infrastructure improvement projects as possible. Due to the change in Arizona law, he emphasized that some of the projects will have to be cut. He advised that the data for those projects will still be available to the County; however, in order to make them happen since those projects won't fit within the 15-year limitation under the new state law, his company could still work with the County to assist and help the County get through a solution, but it would have to be handled through the normal contracting process. No action was taken by the Board.

3. Information/Discussion regarding funding changes to the immunization program to necessitate the development of a private vaccine program for the underinsured and insured pediatric population.

Michael O'Driscoll, Health and Emergency Services Division Director, stated that several months ago the Arizona Department of Health Services (ADHS) notified all of the local health departments that the federal government, in particular, the Center for Disease Control (CDC), was going to make some changes to the Vaccine for Children (VFC) program. The VFC program is basically a program where the County receives a certain amount of vaccines, which the County provides for children. Over the years, the local health

departments haven't verified whether those children were insured, underinsured or not insured. The CDC has changed its definition and is going to be requiring the vaccine only for uninsured and underinsured children, which means that all local health departments have to come up with ways to make sure that the insured children get their vaccinations. This is a big change in the definition and the health departments are scrambling with ways on how to keep up with the vaccination rates to prevent illness as well as fund the program. He stated that JenDean Sartain, Deputy Director of Health Services, who is in charge of the County's vaccination program, would provide more details to the Board. Ms. Sartain stated that the VFC program will continue to provide vaccines for the following children: children that are not insured, AHCCCS (Arizona Health Care Cost Containment System) population children that are insured with AHCCCS, all Native American and Native Alaskan children, and children who are on Kids Care, a program which AHCCCS took away and has now reinstated to a certain extent. The children that will be affected are the children that are underinsured and insured. Underinsured children are children that have insurance and might be covered for some vaccines, but not all. Children with deductibles and co-payments are considered to be insured, not underinsured. Children who are underinsured for selected vaccines are VFC eligible for the non-covered vaccines only. Underinsured children are eligible to receive vaccines through the federally qualified health centers, rural health clinics and county health depts. She advised that the Gila County Health Department is approved for deputization and will be working to renew that deputization in January when it expires. The new changes will only affect the children that are insured and underinsured. Upon inquiry from Supervisor Pastor as to how many children are included in the insured and underinsured, Ms. Sartain stated that the 2011 figures show about 1,500 children; however, that number fluctuates. Chairman Martin inquired as to the number of vaccinations per each child and Ms. Sartain advised that each child receives approximately 7 vaccinations by age 11. Ms. Sartain stated that in preparing for this change, the County has asked to meet with all local physicians, both in Globe and Payson, to see what they are going to do with their vaccine programs as they are also affected by this change. There are only 3 providers in the Globe-Miami area that provide vaccines and 4 providers in Payson. The Payson offices are probably going to continue to provide vaccinations, but the doctors in the Globe-Miami area haven't really made a commitment yet; however, some are leaning toward no longer providing them as they are presently referring a lot of their clients to the County. Ms. Sartain stated that it is really important that the County look at how to develop a program to provide vaccines in the most cost-effective manner to the underinsured and insured population. She advised that initially the County is going to have to ask for payment because it is in the process of signing up with insurance companies to become providers. The County is looking at a third party billing company to bill the insurance companies for the County, but it is a very complicated system. The County currently has pending contracts with 2 of the largest insurance companies in the County and once those are on line, then the County can continue to work out the rest of the details. The County

also has a third party biller that does the County's AHCCCS billing and it is being reviewed if those services could be expanded or if the County will go with another company for these new billing services. Supervisor Pastor inquired whether the dependent children under the current health policy for County employees are considered insured or underinsured. Ms. Sartain stated that she has not been able to get that information from the County's provider, Blue Cross Blue Shield, because each individual plan in the Blue Cross umbrella has different coverage—Plan A could have one coverage for vaccinations and Plan B could be completely different—and probably 95% of the population countywide, not just employees, have no idea if their insurance covers vaccinations. Chairman Martin inquired as to the number of children who are vaccinated in the County that would not fall under the 3 categories that will continue to be serviced. Ms. Sartain did not have that information with her, but would provide those figures at a later time. Supervisor Pastor inquired about the fees that will be charged to cover the cost of providing these vaccines. Mr. O'Driscoll stated that is another complicated answer because it depends on the makers of the vaccine of which there are 3 companies and each one charges a different price. He believes that by having a third party billing system, it will lessen the administrative burden upon the County. The County would be able to set up a system in the County Health Department allowing staff to go directly online to the insurance companies and verify the insurance plan of each patient. Even though each insurance plan varies from person to person, the County would have one central location to verify the information in order to bill the insurance company to obtain reimbursement of its cost. He added that on top of that cost the County would have to pay an approximate cost of 7-9% to pay the third party billing company of which that cost will be added to the overall costs of the vaccine. He also added that the cost for the vaccine fluctuates from month to month. To add additional complication, the County will have to set up a system for inventory control to ensure that the vaccines are refrigerated properly and don't expire. If the vaccines expired, the County would have to absorb that cost. Mr. O'Driscoll stated "It's truly kind of turning our Health Department into a doctor's office in a lot of respects." Supervisor Pastor inquired if the County has some of these processes already in place for the vaccines that the County is currently handling. Mr. O'Driscoll replied that, in fact, the County does have some processes in place. Approximately 6 months ago the County went to a third party billing system called TAPI (The Arizona Partnership for Immunizations) for AHCCCS billing and is starting to see some reimbursement that way. Along with that process the County implemented some data collection that the third party billing system will require the County to do. At the time the County switches over to a third party billing system, if that's the chosen route, then County staff will be ready, provided they receive a lot of training. Supervisor Pastor inquired about what would be the benefit or the value that it adds to the County to do this in relation to the underinsured and the insured going to a doctor's office or if this is another way of shifting costs to the County? Vice-Chairman Dawson added that the Gila County Health Department ranks the lowest in the state of Arizona as far as disease prevention. She said, "If the County doesn't see to it

for the service of vaccinations, that's just the basic thing that we are going into foreign countries and providing, but apparently now you're telling me that new regulations here are making it so it's going to be more difficult in our country to provide them." Mr. O'Driscoll stated, "Yes, per the CDC that's correct." Chairman Martin repeated Supervisor Pastor's question, "Why are we providing this service if they can go to a doctor's office and get charged the same? I mean they are not getting a break coming to us, is my understanding what you all are saying. We'll be charging the same as the doctor's office. What is the advantage? I'm with Mike, of coming to us versus a doctor's office because it's going to set up a whole bunch of governmentium for us that we haven't had to do before and do we want to wade off into that? We still have the uninsured, AHCCCS and Native Americans that we would be dealing with. Are we sure we want to take on the underinsured and why?" Mr. McDaniel replied, "In simplest terms this is another unfunded mandate from, in this case, not the state but from the feds. They have been funding this for years and now they suddenly decided their budget or for whatever reason doesn't allow it, so it does come down to a decision by Gila County as to whether or not we feel we can fund this program going forward because it will cost money to provide a vaccine that has been paid for by the feds in the past. So that's part of the decision here and I think in Gila County we have some real high expectations here with regard to providing this kind of service to the public free because I think Michael and JenDean will tell us not only are there children that have been taking advantage of this service, but we've been providing free vaccines to adults as well. I think we have a lot more work to do with regard to planning out what the cost benefit to the County is clearly by a health point of view. Both Michael and JenDean will tell us that this is a must. They may be right with regard to preventing future diseases, but now there are regular costs involved and we have to look at it from that point of view as well. So I think we have some more work. The reason it's on the agenda today specifically is because October 1st is literally right around the corner and we wanted the public to be aware that going forward vaccines are not going to be available free and somehow they are going to be charged and provided in another manner." Vice-Chairman Dawson stated, "This gets to be such a ball game. You can't send your kids to public school if they are not vaccinated. If mom and dad are both working, even if it's a minimal pay position, they can't get off work to take them...I don't know where the philosophy is or where we draw the line and say too bad and then we have a polio epidemic or something else come back amongst us. We have to vaccinate these people." Supervisor Pastor stated, "I just want to make sure that if we do provide it, fine, and if we do charge a fee that's fine, too, as long as it's realistic and we're not trying to compete with doctors or we're not trying to eliminate the people from getting the services because you can't go to school without the shots and we don't need a bunch of kids on the streets not going to school because they couldn't get shots." At this time, Ms. Sartain was able to provide the Board with figures that were requested earlier as follows: For the AHCCCS population in 2011 the County saw 1,180 children; for the uninsured the County saw about 561 children; and for the Native American and Native Alaskan population, 156 children were

seen. Those figures are for the entire County. She added that what the Board needs to think about in reviewing this program is that if there are a lot of private providers who do not provide vaccine and if the County doesn't provide the vaccine, where will these families go? She noted that everybody across the country has the same issue. This is not changing if it's a private provider or a county health department or a federally qualified health center or rural health center. The County will have to charge certain populations for some of their vaccines. Ms. Sartain emphasized that it's very important that the County look at how it can best vaccinate these children in the most cost effective way. Contact has been made with all of the vaccine companies, a County plan has been worked up as far as being able to offer certain vaccines and get the best price. It will be a trial and error method for a little while just to see what the County's volume will be, but it will be managed so that the County is not wasting money. The County's goal is to provide the vaccine for the best cost it can to the public until the County can start billing the insurance companies because the County can't afford to have its immunization rates go down. She noted that currently the County's immunization rates are really quite good at around 71-77% of the childhood population. Supervisor Pastor inquired if this change is a result of President Obama's Affordable Health Care Act. Ms. Sartain replied that it was a result of the Act and the County anticipates that this change will occur possibly for a year and then as the Affordable Health Care Act takes effect, if it takes effect and is not challenged, there will be more insurance coverage so people will not be paying out of pocket for their vaccine. Chairman Martin stated that she will be interested in knowing the cost to the County of providing these vaccinations to the 1,500-2,000 children and inquired if there would be an advantage of partnering with other counties. She stated, "In some way if we do decide to go on with this and that's going to be a big decision before it's over with, is that whole conversation about what does it cost, can we afford it and how much do we take on, on the unfunded mandate?... I just see getting this started and it could be far more expensive than we think it is and I would like to look at those outside parameters too – the most expensive it could be and what's the least before we go on just assuming we're going to go on with this." Ms. Sartain stated that at this point every county/public health department in the nation is looking at the same issue. The County is currently part of a purchasing group, but it is not allowed to partner with a doctor's office because the County is getting a discounted price because it is a county. Mr. O'Driscoll stated that he has been in contact with all of the other counties in Arizona, especially some of the rural counties, and they are all in the same boat. Some of the counties have already gone through several different third-party billing companies in the last 2-3 years and have found them to be inefficient and have not lived up to expectations. He stated that in meeting with other health officers around the state, County staff is looking at a few companies have been identified as working very well. He concluded by stating, "It's going to be a trial and error situation, but I am very confident that our staff currently is very capable of moving to a third party billing system and with some of the processes already in place, no matter which way we go, we'll hopefully be able to make this work

for the County residents as well as us.” Jerry Ellison, a reporter for KQSS Radio, inquired about how many different vaccines the County is contemplating and the process for selecting them. Ms. Sartain stated that there are essentially 9 vaccines that are required for school attendance that come in a variety of packages. The County is looking at 10 packages of a combination of vaccines for school and then there are also 6 vaccines that are not required for school, but are proven to be very effective vaccines at the CDC that the County would offer as alternatives. Chairman Martin thanked Mr. O’Driscoll and Ms. Sartain for the presentation and requested that the Board be kept apprised on this issue.

4. Information/Discussion/Action to formulate Gila County’s list of issues/priorities to be presented at the County Supervisors Association (CSA) annual summit on October 1-3 in Sierra Vista to be considered by Arizona’s county supervisors for inclusion in CSA’s 2013 Legislative Agenda.

John Nelson, Deputy County Manager/Clerk, provided a presentation to the Board listing the priorities to be discussed at the CSA Legislative Summit. The outcome of that summit will be CSA’s legislative agenda for this year’s upcoming fiscal year. The vote to determine which items will appear on CSA’s legislative agenda will require a 2/3 vote all of supervisors; it will not be county by county voting, but rather a vote by each supervisor. He encouraged each member of the Board that would not be attending the Summit to send in their proxy for voting.

Mr. Nelson noted that the first items he would be discussing are not on the list of proposals for this year, but rather a briefing from last year, as follows:

County Budget Impacts from FY 2011/2012: A) A shift of Highway User Revenue Funds (HURF) to the Arizona Department of Public Safety (DPS). The HURF is distributed down to state highways, cities, towns, and counties. Of the \$120 million shift, the hit to counties was \$20 million and Mr. Nelson believes this will be another key issue again this year at the state legislature. B) Another shift was a 50% shift of costs for sexually violent prisoners that have to be confined in the Arizona State Hospital. The state used to pay 100% of the cost and it is now charging 50% to the counties. C) 100% rural Restoration to Competency (RTC) costs at the Arizona State Hospital. This began in FY2010 at a cost to Gila County of \$383,812. Since that time, Gila County has moved its RTC to Yavapai County because the Arizona State Hospital was charging \$671 per day and currently Yavapai County is charging Gila County \$350 for the first day and \$250 for every day thereafter. Mr. Nelson believes this item needs to continue to be discussed. D) The state’s share of the Justice of the Peace salaries was reduced from 38.5% to 19.25%. E) Maricopa County was required to fund 100% of its Superior Court judges. F) FY2011 County Transfers was about the state of Arizona dipping into the large counties and taking money, which was defeated last year and is no longer

in effect. G) In addition to the state shifting funds to DPS, it was also shifting funds to the Motor Vehicle Division, which is no longer in effect. H) The prisoner shift to the counties was a big issue last year; however, it did not occur. Mr. Nelson noted that F, G & H were the big accomplishments by CSA to get defeated.

Money Issues: A) Comparison of Tax Rate Effect of FY2011 County Transfer to Loss of State Lottery Funding: Mr. Nelson stated that he believes a group of small counties need to demand that the share of lottery funds coming back to counties needs to be a number 1 priority for all of CSA. He reviewed the various amounts of lottery funds lost by the counties with the loss to Gila County being \$550,000 with the effect on the County's tax rate of 9.7 cents. B) County Assistance Fund: Mr. Nelson also recommended that the County Assistance Fund become one of CSA's top priorities. C) Loss of HURF: Mr. Nelson noted that the loss of HURF money is greatly affecting Gila County. Since 2009, the state has been taking \$120 million from the counties' HURF funds to fund DPS. Lima & Associates conducted a study of what it should cost each county to maintain their roads in accordance with each county's roadway standards, which shows that all rural counties are now on a deferred maintenance situation. He noted that Gila County doesn't have sufficient money to maintain its roads at the standards they need to be maintained and they are deteriorating. Depending on how bad the roads get before they start being maintained can cost 4 to 12 times more on a deferred maintenance basis versus steady maintenance. Since 2009, the state has actually withheld \$1.346 million from Gila County, but when that's deferring the County's maintenance of its roads, it's actually costing the County \$8 million. The County cannot continue to let its roads deteriorate to such a condition that it cannot afford to bring them back up to County standards. He encouraged the Board to address the County Assistance Fund before tackling HURF, although HURF is a critical issue for Gila County. Vice-Chairman Dawson commented that she blames the lack of federal highway funding for Arizona on the U.S. senators from Arizona who lack leadership in bringing those funds to Arizona. Vice-Chairman Dawson also stated that the DPS union is powerful and she believes the state should be funding the program for its state DPS and that CSA should start pushing the issue. Chairman Martin agreed and stated that it's going to get worse without government earmarks because with no new earmarks, the federal government is going to lump some money into Arizona and then the Arizona Department of Transportation (ADOT) will decide where the funds will go, which will be for the Sun Corridor from Prescott to Tucson, and the smaller counties will get even less money.

Mr. Nelson then moved to the CSA issues that will be discussed at the CSA Legislative Summit in the order they were presented, as follows:

1) Convenience Fees & Credit/Debit Cards: Mohave County has requested legislation for convenience fees for credit and debit cards. Currently if a person is using the internet or telephone to pay a county bill or fine, a county

may charge a user fee; however, if it's a face to face transaction paid by a credit or debit card, a county cannot charge a user fee. Mr. Nelson noted that the Banking Association has stated that there might be some violations with the new Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which continues to be reviewed. Assuming it does not violate Dodd-Frank, Mr. Nelson recommended that this be supported.

2) County Highways: Mohave County submitted this bill; however, it was on behalf of the Arizona County Engineers Association. For a number of years the statutes have been reviewed with rewrites of small sections here and there as it relates to highways, county highways and maintenance. This is more of a cleanup of the language to make sure all the terms and definitions match. Mr. Nelson noted that this has been reviewed by Mr. Stratton, who recommends that this bill be supported.

3) Fire Code Repeal: This bill was submitted by Yuma County. The board of supervisors can adopt fire codes for those residents living in unincorporated areas that do not have fire districts, but according to statutes, once the code is set, it cannot be changed until a fire district is formed or the county gets authority to repeal or modify it. Mr. Nelson stated that it seems kind of unusual that the Board can set it, but then it's frozen in time forever unless the board gets the authority to repeal or modify it. Mr. Nelson recommended that this repeal be supported.

4) Protecting Private E-mail Addresses: This was submitted by Yuma County. When a person requests public county information, documents, email that come to county supervisors or county staff, the question is if that private email address can be redacted or not. Currently Yuma County is saying it cannot be redacted. CSA has reviewed this with the Arizona Ombudsman's Office and the Arizona Newspaper Association. There are a lot of different opinions on this and although Mr. Nelson did not have a sure recommendation, he believes it will be an issue that draws a lot of controversy.

5) County Road Abandonment by Public Vote: This bill was submitted by Cochise County. For a county to abandon a road, it takes a majority of the property owners abutting the roadway to approve the board of supervisors' decision to abandon it. This legislation would require public input, but would not require a majority vote of the abutting property owners. Mr. Nelson did not have a recommendation, but left it to how each Board member felt on this issue.

6) County Primitive Roads: This bill was submitted by Cochise County. This would expand the universe of road systems that are eligible to be brought into the county roadway system and expand the number of roads that are eligible to be declared as "primitive" by a county board of supervisors to include those opened prior to 1990 (from 1985.). This item was not addressed by Mr. Nelson.

7) Cannabis is Not a Crop: This bill was submitted by Yavapai County. This would ensure that cannabis is not classified as general agricultural, which would be outside of county zoning. This would allow counties to zone where cannabis could or could not be grown. Mr. Nelson stated that he reviewed this with Bob Gould, Community Development Division Director, this morning and he was supporting it as far as a proper zoning application.

8) Utilities in the County Rights-of-Way: This bill was submitted by Pinal County. At present, counties can only charge telecommunications companies franchise fees and fees for using county right-of-ways. This would open it up so that counties could charge utility companies franchise fees and charge fees for using county right-of-ways. Mr. Nelson stated that utilities in our roadways are a major factor, a significant cost and counties should have the ability to charge utility companies a franchise fee and to also charge for using county right-of-ways in order to recover at least a portion of the county's costs. He urged the Board to support this issue.

9) Annexations of Rights-of-Way: This was submitted by Pinal County. This would amend annexation processes to permit simple transfers of roadway and rights-of-way by mutual consent, avoiding a technical requirement, property owner's consent and a petition process. Mr. Nelson stated that it's more of a technical correction and he thinks it should be supported.

10) There was no item 10.

11) Child Support Collections: This was submitted by Navajo County. This would restore the ability to use State Shared Retained Earnings as matching funds from the federal level and protect against the state forcing an unfunded collection mandate to the county level. Mr. Nelson did not address this item.

12) County Assistance Fund: This bill was submitted by Navajo County. This would restore County Assistance Fund lottery dollars to their historic level for every county. Mr. Nelson stated that his only problem with this one is that this is a share of lottery revenues that the counties have always received and somehow a number of years ago the state changed the name of these funds from lottery funds to the County Assistance Fund and now the state has determined they can no longer assist counties. The state didn't determine it no longer wanted to share lottery funds with counties, but rather no longer wants to assist them. Mr. Nelson stated, "I think we need to start taking this County Assistance Fund out of our vocabulary and putting "share of state lottery" back in. He recommended the Board's support of this bill.

13) Half-Cent Sales Tax: This bill was submitted by Navajo County. This would increase the current levy authority for the smaller fourteen counties to levy a sales tax from one-half cent per dollar to one-cent per dollar by a unanimous vote of the board of supervisors. Mr. Nelson stated that this would probably go to a vote of the people and it has come up numerous times in

various legislative sessions. One of the cautions has always been if the state of Arizona is continually taking money from counties or giving counties unfunded mandates, if the county had this authority, the Legislature and the governor could always go to the counties and say, "You don't have a financial problem, just go to your voters." It would be nice to have the additional authority, but there's always the other side of the coin that has to be considered. That concluded the initial proposed legislative issues.

Mr. Nelson then advised the Board about the governor putting together a task force to simplify transaction privilege sales tax and changing prime contracting sales tax. Currently for prime contracting construction, it is a point-of-use sales tax. When a building is constructed in Gila County, no matter where the material was purchased, 65% of that contract is considered taxable and that tax is paid to Gila County as a sales tax. What is being considered is going to a point-of-sale so that wherever the materials are purchased gets the sales tax. Mr. Nelson stated that could be a very serious shift of tax revenue for Gila County. Mr. Nelson stated that according to the Arizona Mining Association annual report, of all the local taxes paid from the Arizona copper industry in 2010, Maricopa County got the majority and he doesn't recall any copper mines being located in Maricopa County. He stated that if this proposal does come out, it will mostly likely have a hold harmless clause with it to sell it; however, hold harmless is really not a hold harmless. So Gila County is going to have to fight this tooth and nail. The sales tax Gila County gets from the prime contracting industry, 75% of that will go from Gila County back into Maricopa County.

Mr. Nelson also wanted to address another issue that he's proposing to go forward as a Gila County/Santa Cruz County issue dealing with state aid for community colleges. Currently state aid, not equalization, not workforce investment, just straight operating aid to community colleges goes to community colleges based on FTSE (full time student equivalent). As a community college grows, the added state aid is based on the state average, i.e. Maricopa County. When Gila County and most recently Santa Cruz County went from the county contracting for services to a provisional community college contracting for services, they were counted as new FTSE. In 2012, when Santa Cruz County was contracting for services, state aid they received for FTSE was \$649/FTSE. Now that Santa Cruz County has changed the name to a provisional community college, the state aid for 2013 fell to \$229/FTSE. He stated that it's not a big issue right now--\$346,000 total for Santa Cruz County and \$241,000 coming to Gila County, but it's going to grow more and more every year. Mr. Nelson stated that in his opinion this needs to be addressed right after the elections are over. He proposed that the counties look for a primary sponsor to have this bill drafted. He further proposed that this be brought as a Gila County issue and not rely on the provisional community college to take this on. However, he felt the County should engage the college lobbyist, Mike Gardner, of TriAdvocates. He further recommended holding a meeting with both Mr. Gardner and Knox Kimberly, the managing principal of

TriAdvocates, to see if something could successfully be done. Mr. Nelson noted that he has been in contact with Santa Cruz County and their provisional college and the County will support same.

Mr. Nelson then addressed some new last-minute issues from CSA, as follows:

14) Special Districts Use Fees: This bill was submitted by Yavapai County. It would allow water districts to put a primary lien on properties that do not pay their water fees. Currently if a DWID (domestic water improvement district) has a property tax and they don't pay it, it's becomes a primary lien; if they don't pay their water fees, it becomes a secondary lien. Mr. Nelson stated that he has an issue with this one. There is a reason that property taxes are in first position on a lien and he thinks it needs to be kept that way.

15) Fire District Reorganization: Yavapai County is requesting fire district reorganization--a cleanup of the language. Mr. Nelson didn't have an opinion one way or the other and suggested that the Board listen to Yavapai County's comments at the CSA legislative session.

16) Website Posting for Special Districts: This bill was submitted by Yavapai County requesting that it be mandated that special districts post where their public meetings are going to be held on their website and in other places. Mr. Nelson stated that he didn't see anything wrong with this proposal; however he didn't know why counties are starting to want to meddle with special districts so much.

Other Issues That Have Not Come Through As CSA Proposals: A) Fire Districts and Special Districts: Mr. Nelson stated that Navajo County at a Small County Forum meeting floated the idea of having authority over fire districts and special districts; however, discussions afterward seemed like that's going too far. It has not come through as a CSA proposal yet, but things happen at the last minute, so Mr. Nelson will stand guard. B) There appears to be a law firm or a collection agency that is proposing that there's permissive legislation to allow counties to use collection agencies to collect delinquent property taxes. Mr. Nelson stated that he has reviewed this with the County Treasurer, who is not supporting this. He thinks the Treasurer's Office does a wonderful job of collecting property taxes as Gila County's collections are probably some of the highest in the state. He preferred not to go there at this point in time. That concluded Mr. Nelson's presentation.

Mr. Stratton stated that although he has not read the proposition, relating back to the rate on HURF when Proposition 204 passed the education bill for the one cent sales tax extension, there is also a provision in there that there will be no more rates on HURF. It will eliminate that and there will be a small portion of that tax, approximately 1/10th of one cent that would go to the ADOT board for control of distribution of projects. This was Mr. Stratton's understanding from meeting with the ADOT board members last week, so that

may eliminate the one problem of distributing HURF funds to the Arizona Department of Motor Vehicles and the Arizona Department of Public Safety.

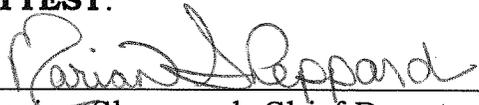
Chairman Martin thanked Mr. Nelson for his presentation and stated that although this was listed as an action item on the agenda, she did not believe the Board needed to take any action. It was noted that John Marcanti, Supervisor Elect for District 3, was invited and would be attending the CSA Legislative Summit. Vice-Chairman Dawson noted that she would be sending her voting proxy if she was unable to attend the summit.

There being no further business to come before the Board of Supervisors, Chairman Martin adjourned the meeting at 12:00 noon.

APPROVED:


for Tommié C. Martin, Chairman

ATTEST:


Marian Sheppard, Chief Deputy Clerk