



Economic Development Council Meeting ♦ April 6, 2017

Little America Hotel, Flagstaff, AZ

Members:			(Absences YTD)			Members:			(Absences YTD)		
Sharon Adams	Phone	0	Art Babbott	Present	0						
Rich Bowen	Absent	1	Wendy Bridges	Present	0						
Becki Christensen	Absent*	0	Karalea Cox	Absent	2						
Carol Curtis	Present	0	Coral Evans	Present	1						
Paul Ferris	Present	0	Jodie Filardo	Absent	1						
Linda Hatch	Present	0	Richard Heath	Phone	1						
Kimberly Johnson	Present	1	Susan Johnstad	Present	1						
Steve North	Present	0	Lora Lee Nye	Present	0						
Julie Pastrick	Absent	1	Kelly Patton	Phone	1						
Norman Perry	Present	1	Paul Ramsey	Absent	2						
Casey Rooney	Absent	1	Ed Steinback	Absent	1						
Jesse Thompson	Present	0	Paul Watson	Present	0						
Steven West	Absent	2	Matthew Williams	Present	0						
Jim Wurgler	Present	1									

*Excused Absence

Guests:

- David Lujan, Director Arizona Center for Economic Progress
- John Munderloh, Water Resources Manager, Town of Prescott Valley
- Jessica Drum, Coconino County Grant Writer
- Jason Kelly, NACOG Transportation Planning Manager
- Pam Estrella, RESCARE Workforce Services, Flagstaff
- Chris Fetzer, NACOG Executive Director

Staff: Teri Drew, Regional Director
 Julia Sawyer, Executive Assistant

A quorum was present.

1. Call to Order/Welcome/Introductions

Vice Chairman Paul Watson called the meeting to order at 10:08 AM. He welcomed everyone in attendance.

2. Pledge of Allegiance

Vice Chairman Watson asked Matthew Williams to lead in the Pledge of Allegiance. Following the Pledge, Vice Chairman Watson asked everyone to introduce themselves around the table.

3. Approval of February 2, 2017 Minutes

Vice Chairman Watson asked for review of the minutes from the February 2, 2017 EDC meeting. Linda Hatch noted a correction needed in the Member Comment Section under her comments, page 7, her summary of Chino Valley on line 3, should report “large library program”, adding the clarification “program”. Hearing no other corrections or comments, Vice Chairman Watson called for a motion to approve with the change. **Jesse Thompson so moved, seconded by Linda Hatch. The motion carried unanimously.**

4. Chairman's Report

Vice Chairman Watson noted that it is necessary to establish a nominating committee for officer elections for the 2017-18 Program Year. He asked the following if they are willing to participate on the nominating committee for EDC officer elections: Carol Curtis, Wendy Bridges, Paul Ferris and Steve West. Mr. West was the only one not present; all others agreed to meet for nominations. Staff will reach out to Mr. West. Vice Chairman Watson concluded the appointments to the Nominating Committee.

5. Director's Report

Vice Chairman Watson turned the meeting over to Regional Director Teri Drew for the Director's report.

- **Program Update**

Ms. Drew began by reporting on NACOG's 2017 Federal Legislative Priorities in the interest of discussions happening on a federal level regarding the funding cuts or elimination of the Economic Development Administration. Ms. Drew acknowledged NACOG Executive Director, Chris Fetzer's presence at the meeting, noting that Mr. Fetzer is responsible for authoring the 2017 Federal Legislative Priorities on behalf of the organization. Ms. Drew mentioned that Mr. Fetzer had been in Washington DC a few weeks ago to meet with Congressional representatives from the State of Arizona to talk about priorities for the NACOG region and Northern Arizona. Ms. Drew handed out a packet that sums up the NACOG priorities, noting the work we have done throughout the District through EDA funding, and the challenges some of our areas are facing regarding financial impacts to the potential loss of funding and the pending closure of the Navajo Generating Station and Kayenta Mine.

Ms. Drew reported on her recent trip to Washington, DC, noting that Carol Curtis was also there last week. They were attending a National Association of Workforce Boards Forum, where they were able to participate in conversation with Congressional leaders about pending budget cuts. Ms. Drew commented that her take-away was to expect cuts between 10-20%, and to take the Administration's actions as a probationary period to get out and do a better job of telling our story in terms of return on investments and economic impact. She encouraged those in attendance to help with this education process at their future speaking events. She referred to the part of the hand out which demonstrates the EDA projects from 1995-2017 on a map of the NACOG area, totaling \$26.5 million in EDA funding and 2,415 reported jobs created or retained. She then asked Ms. Curtis to share some of what she did and saw while she was in Washington DC. Ms. Curtis reported that she was able to meet with Congressman Tom O'Halleran, who is very aware of the situation in Northern Arizona. She noted that the Congressman will be attending the 2nd Economic Outlook Conference in Page Arizona in May. The conference is designed to take a look at regional resiliency, and how to activate the programs being initiated via the EDA and USDA grants that have been received. Ms. Curtis noted that the re-branding of the workforce programs last year set them back in terms of getting their story out, as the Arizona@Work brand is still a work in progress. She commented that it is a good time to get the word out, and to not assume that people know who we are. Ms. Curtis made note of the apprenticeship program, which has been widely supported by the Coconino County Board of Supervisors, noting that apprenticeships are gaining ground at a national level.

Ms. Drew thanked Ms. Curtis for her comments, and noted that some of the difficulty in educating the public about these programs stems comes from the fact that the same program across state lines may be branded differently. However more challenge is in educating the legislators, both local and state. There were comments made regarding the inconsistency between states' names for their programs,

such as happens with the federal Workforce Innovation and Opportunities Act (WIOA). Supervisor Art Babbott noted the importance of the counties working in tandem to push the legislative priorities consistently, to keep this information available. Ms. Drew noted that the electronic version can be sent to each of them for ease of access. NACOG Executive Director Chris Fetzer commented that these can be customized to fit the needs of each area. Ms. Drew complemented Neal Young, Deputy County Manager for Coconino County, for his quick work in obtaining quotes to add value to NACOG's legislative priority package.

- **Assessments Review/Approval**

Ms. Drew passed around the proposed NACOG Region Assessment Schedule for Fiscal Year 2018, noting that the recommendation is to maintain the current assessment schedule that we have had for the last few years. The assessment figures are based on the 2010 Census figures of per capita count. Regionally the total amount remains \$49,808. Ms. Drew noted that, due to financial constraints for some areas in the District, she is recommending that we continue to assess at the same rate. Vice Chairman Watson called for questions or comments regarding assessments, and noted that Navajo County is currently discussing withdrawing, due to concerns related to loss of revenue from the closure of Kayenta Mine and the partial closure of the Navajo Generating Station. An inquiry has been made to NACOG regarding the contributions to Navajo County from both the Economic Development District (EDD) assessment and transportation assessments. Vice Chairman Watson noted that he has not yet heard the final outcome of the issues being discussed. He remarked that he will not participate in a vote for approval, in light of these discussions. He then opened the floor for a motion to approve.

Norman Perry made the motion to approve the proposed 2018 EDA Assessment Schedule. Linda Hatch seconded. Supervisor Thompson commented that it would be good to identify those Navajo County projects that have benefitted the County through the EDD. Ms. Drew responded that NACOG has forwarded a map similar to the one she handed out earlier, highlighting the Navajo County projects, and that NACOG is also extending technical assistance to help develop projects during this difficult economic time. **Vice Chairman Watson called for a vote, the motion carried. Vice Chairman Watson and Supervisor Jesse Thompson abstained.** Ms. Drew concluded her report.

6. Coconino County Fort Tuthill Project Presentation

Vice Chairman Watson turned the meeting over to Supervisor Art Babbott to present information on the Coconino County Fort Tuthill County Park Project. Supervisor Babbott opened by reminding the Council that he briefly touched on this project at the last meeting. He noted that the actual EDA component of the project request is \$1.8 million for infrastructure upgrades, with match requirements going well above the required 20%. He then turned to Jessica Drum, the Coconino County Grants Coordinator, to talk about how the project is being packaged to bring in project partners. Ms. Drum highlighted the improvements slated to be made, including sewer upgrades and infrastructure improvements for the Park, noting that there will be about 25 jobs created during the initial construction period. Ms. Drum then briefly detailed the total monies for the project, totaling \$2.65 million. Supervisor Babbott asked for questions, there were none. Vice Chairman Watson called for a motion to approve recommendation of the Coconino County Fort Tuthill County Park Project for EDA funding, **so moved by Lora Lee Nye and seconded by Paul Ferris. The motion carried unanimously.**

7. Tourism Report

- **Tourism Forum Update**

Vice Chairman Watson turned the meeting over to Dr. Susan Johnstad to report on updates to the Tourism Forum. Dr. Johnstad began by encouraging EDC participation in planning of the Tourism event as well as registering for the Forum, and by reporting that the agenda for the Forum is solidifying well, thanking Steve North and Matthew Williams for their leadership in pulling together speakers for the Best Practices and Regional Destination panels. She also noted that Teri Drew had also been able to

secure the keynote speakers, representing state agencies such as Arizona Office of Tourism, Arizona Tourism and Lodging Association and Local First Arizona. Dr. Johnstad then asked the Council to take note of the 2 documents that were distributed earlier, the Registration Form and the Sponsorship Form. She pointed out the early bird registration fee of \$100 and deadline for early registration of May 19, 2017. She also noted the vendor opportunities and fees, and asked the EDC to consider sponsorship opportunities. Dr. Johnstad reported that the Committee is also looking for prizes to be donated for registered attendees to receive through drawings. She then asked Steve North to speak about who has been commissioned to speak on the feature panels. Mr. North highlighted those who have been invited from the Navajo County area, including Vice Chairman Watson, who will be representing Navajo County tourism and economic development and the White Mountain Partnership. Also included is the owner of Bearizona, Petrified Forest, and a representative from the Navajo Nation and Sunrise Ski Resort.

Ms. Drew then commented about vendor tables and noted that they are limited to 10 tables, and stressed that the opportunity would be valuable to participate in for chambers or destination providers to market their areas. She then commented on the 2-prong approach of the Forum planning, which demonstrates best practices for Navajo County, as well as the destination panel that feature locations throughout the NACOG District. Dr. Johnstad encouraged everyone to register early, since the space will be limited. She also noted that there are several recreational and cultural opportunities nearby, and these will be publicized at the event as well. Matthew Williams added his appreciation to all who have put work into the developing of the Forum, encouraging all to attend and enjoy the beautiful scenery. Coral Evans reported that she is excited to have been invited to participate as a destination panelist and noted that the price being charged for a vendor table is inexpensive compared to other venues. Positive comments followed. Vice Chairman Watson thanked Dr. Johnstad and the Tourism Committee for their efforts.

8. All Hands, All Lands Presentation

Vice Chairman Watson turned the meeting over to Councilwoman Lora Lee Nye and John Munderloh, the Water Resources Manager for the Town of Prescott Valley, to share a presentation. Councilor Nye began by reporting about an event last November for the Yavapai County business owners, government officials, landowners and ranchers called "All Hands, All Lands". The event brought together a diverse group of people to discuss development and maintenance of a healthy and sustainable watershed. Councilor Nye noted that a partnership was forged through this gathering. She also noted that biomass has become an exciting byproduct of the event. The Upper Verde River Coalition, which Councilor Nye chairs, is devoted to ensuring the watersheds are properly maintained for the benefit of all. She shared the need to solve current state land issues preventing projects to go forward. She then turned the presentation over to John Munderloh, the Water Resources Manager for the Town of Prescott Valley.

Mr. Munderloh shared a power point presentation on the Upper Verde River Watershed Protection Coalition, which was established in 2006. The purpose and mission of the Coalition is to protect the flow of the Upper Verde River and achieve safe yield in the Prescott Active Management Area (AMA), which includes Yavapai County, the City of Prescott, the Towns of Prescott Valley and Chino Valley, and the Yavapai-Prescott Indian Tribe. They are funded by member dues and grants. Mr. Munderloh described the strict regulations the AMA is held to, regarding the groundwater use and reporting, which make growth and development difficult.

Mr. Munderloh noted that less than 2% of total precipitation is recharged into water systems, according to a USGS report. Large amount of junipers block the water from reaching watersheds. He reported that the grasslands need to be restored in order to create healthy watersheds. The junipers must be thinned out to increase ground water levels. Mr. Munderloh noted that other agencies are

also addressing the juniper issues, such as the National Forest Service, private land owners, and others who have contributed to the restoration process at a scale of 1,000-2,000 acres per year. However, there are 1,000,000 acres to manage.

Biomass is a by-product of the juniper thinning process. The product is low value, creating cost issues when removing it from state land. A South Korean biomass consortium contacted the Coalition with interest in contracting materials.

Woodland Harvesting Demonstration and Data Collection – Ponsse Harvester Pilot Studies was done a year ago, a mechanical harvesting process, on a private ranch. Mr. Munderloh shared a handout that demonstrated in photographs a sample of the juniper growth on one particular private land site where the Harvester was being utilized for thinning, highlighted the many benefits to the harvesting of juniper, which is encroaching on valuable grassland and creating a critical deficit in water. The economic projection of the process is jobs, biomass market, such as bio-coal, landscape products and animal bedding, compressed fire blocks, essential oils. Norman Perry commented that Drake Cement received a bond 10 years ago to begin utilizing bio-coal for firing the plant but has not done so yet. Building partnerships with Drake, as well as other companies, have been being developed as a result. Private land owners are beginning to open up to the Coalition in seeing progress made on their land as well.

Mr. Munderloh reported that soil erosion is another problem with junipers, the roots cannot hold the soil. Silt dams are being built from the least usable parts of the junipers as a solution. This and other projects are funded by foundations and government entities, and member dues.

Councilor Nye closed the presentation by noting that the Executive Committee of Regional Council will be meeting this month with the State Land Commissioner Lisa Atkins, State Forester Jeffrey Whitney and Natural Resources Policy Advisor Hunter Moore to talk about these issues. She thanked everyone for the opportunity to share. Vice Chairman Watson thanked them for the presentation. A brief discussion followed on the value of the forest restoration work.

9. Financing Arizona's Future – 109th Town Hall Presentation

Vice Chairman Watson turned the meeting over to David Lujan, the Director for the Arizona Center for Economic Progress, to present about what had been presented at the 109th Town Hall. The Center was newly opened in January 2017 as a partner office of the Children's Action Alliance, an advocacy organization for children's issues. The mission of Arizona Center for Economic Progress is to focus on investments that need to be made to grow the Arizona economy.

Mr. Lujan shared data regarding median family income in Arizona and poverty impacts on the population, especially the Arizona Latino population, 27% of which live in poverty. He noted that Arizona has cut taxes every year since 1990, draining over \$2 billion in revenues, more than double when you adjust for inflation. Mr. Lujan also stated that tax credits have also increased greatly – 322% since 1999. Mr. Lujan highlighted one such tax credit, the tax credit for private school tuition, where both individuals and corporations can give tax credits for students to get a scholarship to go to private schools, contributing to a loss of \$129 million annually from the state general fund. He stated that there needs to be more review by the state on return on investment from tax credits, jobs and economic growth that is promised by proponents of the tax credits.

The state general fund revenue has dropped consistently, affecting state agencies. All are below 2008 funding levels except for the Department of Child Safety and the Department of Corrections. He noted that transportation is experience a huge shortfall, 68% below 2008 levels, costing Arizona drivers over

\$1 billion a year for car repairs and expenses due to bad roads. The Department of Revenue is also 58% below their funding levels of 2008, which resulted last year in the laying off of 52 of their tax collectors and auditors.

Mr. Lujan then discussed solutions to growing the economy, number 1 being focus on K-12 education. He reported that the State of Arizona has cut more from the public education system than any other state, \$1.8 billion since 2008. He noted that Proposition 123 only restored 18% of what has been cut in funding education since 2008, a shortfall of \$1.2 billion. Mr. Lujan reported that the impact of the shortage of funding for K-12 education means that there is a teacher shortage crisis in Arizona – 2,100 vacancies statewide. He noted that out of state and out of country recruitment efforts are going on to help fill the gaps. In addition to that, 25% of current teachers are preparing to retire in the next 3 years, adding to the crisis. School district facilities are deteriorating due to funding shortfalls as well. In addition, higher education funding has been cut steeply as well, resulting in skyrocketing tuition rates at state universities and community colleges.

Mr. Lujan shared how funding gets distributed in Arizona. State sales tax is the largest contributor to state general fund revenues – 44%. After that is individual income tax, corporate income tax and other sources of revenue. He reported that Governor Ducey plans to eliminate personal and corporate income tax at a future date, the results of which would mean massive cuts in government-supported services.

Mr. Lujan then shared the Town Hall recommendations to address these issues:

- Reconsider tax cuts
- Broaden tax base
- Repeal Proposition 108 to eliminate a 2/3 majority vote to raise revenue
- Expand local control by reviewing state-imposed caps on counties, cities and special districts and allow counties and special districts to tax on the primary property valuation rate
- Prohibit state from shifting costs and responsibilities
- Encourage diversification of AZ's economy
- Update Highway User Revenue Fund (HURF) to reflect current conditions,
- Have a long-term strategic vision

Mr. Lujan closed with showing that Arizona's spending for K-12 education has gone below the national average, but it didn't used to be. The impact of this is that college attainment is also going down, below the national average.

Mr. Lujan shared his contact information and passed out a booklet of information about his presentation and asked if there were questions. Norman Perry began a discussion on what the impact would be if the teachers did not spend their own money for supplies. Ms. Drew asked duplication had been measured with relationship to charter and private school tax credits, due to the number of funding opportunities to fund those schools. Mr. Lujan noted that they have not looked at those issues but it would be a good thing to look at. Other discussion followed regarding local initiatives versus state initiatives in the funding of programs. Supervisor Art Babbott asked if there could be more clarity on what the definition of raising revenue is and is not. Mr. Lujan commented that conversation regarding clarification of revenue streams is being circulated prior to taking these proposals to the voters.

Vice Chairman Watson thanked Mr. Lujan for his presentation, and briefly recessed the meeting.

10. Member Comments

Vice Chairman Watson resumed the meeting by asking for Member Comments for the good of the Order, beginning with Matthew Williams. Mr. Williams reported that the Town of Pinetop-Lakeside is doing well, seeking to overcome faults of the past and looking to the future.

NACOG Executive Director Chris Fetzer reported that Transportation has been developing a task force for improving regional transportation issues.

Kim Johnson reported that the City of Page has been developing several initiatives to improve the quality of life in Page, including the utilization of Community Development Block Grant (CDBG) funds for local improvements. She also noted new hotels being built. She reported that they are looking forward to the Economic Development Summit being planned in Page for May. She also reported that a new Economic Development Coordinator has been hired recently for the City.

Norman Perry reported that the Yavapai County Industrial Development Authority (IDA) has been busier lately, issuing \$75 million in bonds to the Yavapai Regional Medical Center, as well as a \$28 million bond being finalized for the Arizona Agri-Business and Equine Center. In addition, \$40 million in bonds were issued for the Northern Arizona Healthcare System. Mr. Perry noted a recent change in the rules for issuing bonds to organizations outside of the County. Fees and costs are paid to the IDA by bond advocates, generating additional funds that have been distributed around the County, but recently it has come to light that excess funds are to be returned to the state. This is still being investigated for factuality. He suggested the possibility of being able to distribute those excess funds to EDC regional projects that can demonstrate benefit to Yavapai County.

Dr. Susan Johnstad reported that Northern Arizona University (NAU) is about a month away from commencement, an exciting time. President Cheng at NAU hosted a Campus Forum, highlighting the overall enrollment growth, now at 30,000 students, 22,000 of which are at the Flagstaff campus. Dr. Johnstad noted that a trend in all 3 state universities is out-of-state and international enrollments. The transfer market has not been growing, but efforts are being made to better serve that market. Graduate programs have also been in decline. She commented in relation to the presentation given by Mr. Lujan that tuition costs are going up, including at NAU where the general recommendation for the next year is a 3% increase in tuition. Dr. Johnstad also reported that online programs through NAU is growing and being updated to keep up with changes.

Supervisor Art Babbott reported that he has been working on Highway 180 corridor management issues for the region, largely impacted by winter recreation. He has also been active on the Coconino County Board of Supervisors for 2 other issues; 1) support for the bi-partisan Senate Bill for National Park Infrastructure Funding and 2) the resolution in support of a 2-year extension for the Navajo Generating Station to ease the transition to closure and retraining and workforce development issues for those affected by job loss. Supervisor Babbott also thanked Lora Lee Nye and John Munderloh for their presentation, as well as David Lujan for his presentation.

Linda Hatch commented about the "All Hands All Lands" presentation, specifically about Drake Cement, the CEO, Dr. Marco Gomez Barrios, has a PhD in Chemistry from Louisiana State University. She remarked about the fascinating history of Drake Cement's CEO and his Peruvian background.

Paul Ferris report a lot of retail development in both the commercial corridor and the downtown area of Winslow. Other developments are being completed as well as workforce transportation discussions with Northern Arizona Public Transportation Authority. Mr. Ferris also reported interest shown by

developers in building market-level workforce housing. He also noted that the City of Winslow is developing a very restrictive “Dark Sky” ordinance, and have installed LED lighting throughout the City. He also noted that the sign code is being revised. Infrastructure improvements are going on as well. He reported that the natural gas line issue is being addressed for future development.

Steve North mentioned that the Show Low Feasibility Study Phase 1 has been completed, and are preparing to begin Phase 2.

Lora Lee Nye reported that Prescott Valley Yavapai Downs Race Track has a buyer and papers are being drawn to sell. She also reported that ground will be broken for a Performing Arts Theater in May, completely privately funded. She noted that the Crossroads Shopping Center is almost completely filled up, with room for maybe 1 more business. The Mall was also sold at auction this week. Councilor Nye then commented on the Prescott Valley Event Center bankruptcy, noting that bankruptcy is not a “death knell”, but can bring new life – the Event Center is being utilized for many large events.

11. Public Comments

Vice Chairman Watson opened the floor to public comment, there was no public comment.

12. Adjournment

Vice Chairman Watson adjourned the meeting at 12:46 PM.