

Maricopa Association of Governments  
 Metropolitan Business Planning Initiative  
 October Work Session  
**Governance Analysis**

**Leverage Point:** Creating Effective Public and Civic Culture and Institutions

**Definition:** Government (through taxation, regulation, provision of public goods, etc.) and civic-sector activities enhance or hinder the productivity and efficiency of the economic systems themselves. These activities attract entrepreneurs, support market development, lower transaction costs, and increase deployment of assets. A culture of trust, collaboration and transparency, as well as institutional flexibility and adaptability, is increasingly important (particularly in regard to leverage points such as regional clusters and innovation-enabling infrastructure).

**Overview:** The region benefits in a number of ways through the strength of public and civic culture and institutions. This includes the unifying aspect of having a small number of municipalities and the presence of one county for such a large geographic area. The vitality and “can-do” attitude that a young region offers are balanced with the need to promote a deeper, more intentional economic development strategy. The public institutions are considered to be open to new opportunities, yet their ability to fully support these new projects may be hampered by unresponsive codes or limited economic development tools. Attempts to unify the diverse approaches to economic development around a more collaborative model may strengthen the ability of public and civic institutions to create an environment that supports economic development.

**Arizona Tax Comparison:** The chart below from the Tax Foundation indicates Arizona is not competitive on capital intensive projects. The highest rate is one.

Sales Tax	Property Tax	Corp Income Tax	Unemployment Insurance Tax	Workers Comp
1. AZ	1. TX	1. CA	1. OR	1. CA
2. CA	2. AZ	2. NM	2. CA	2. TX
3. NV	3. OR	3. AZ	3. NV	3. NV
4. UT	4. UT	4. OR	4. UT	4. NM
5. CO	5. NV	5. UT	4. CO	5. OR
6. NM	6. NM	6. CO	6. NM	6. CO
7. TX	7. CO	7. NV	7. TX	7. AZ
8. OR	8. CA	8. TX	8. AZ	8. UT

## Strengths

Universal council/manager form of government: All cities and towns in the region have adopted a council/manager form of government. Throughout the years, this form of government has served the region well. It has provided professionalism, expertise, and consistency. This contributes to municipalities receiving national recognition for their governance, such as the City of Phoenix being named an All America City five times. The Management Committee of the Maricopa Association of Governments (MAG) provides a forum for the city and town managers to meet in one room and coordinate activities.

Low number of municipalities and special districts: According to the Brookings Institution, the low number of special districts per 10,000 people at .24 ranks the region at 18 out of the 100 largest metro regions. This places the region under three of the peer regions but above nine peer regions. The region fares even better in fragmentation with a score of .08 for the number of local governments per 10,000 people. This gives the region the third highest rank, lower than two of the peer regions, Las Vegas and San Diego, but ahead of 12 other peer regions.

Proven record of successful public/private collaboration: MAG's coordination of the Regional Transportation Plan is an example of an effective process that resulted in elected officials and the private sector promoting the passage of Proposition 400. This continued the half cent sales tax for another 20 years, ensuring the region would have resources to meet its transportation needs. This funding also supports a strong culture of planning and role for MAG as the metropolitan planning organization for the region. More recently, MAG, the Pima Association of Governments (PAG), and ECOTality are partnering to develop an electric vehicle infrastructure between Phoenix and Tucson. The Joint Planning Advisory Council is the mechanism through which MAG, PAG, and the Central Arizona Association of Governments coordinates activity through the Sun Corridor.

Development of the MAG Economic Development Committee: The MAG Regional Council formed the MAG Economic Development Committee (EDC), a collaboration of elected officials and the business community. The committee provides a unique opportunity to bring elected officials together with the private sector on a consistent basis to plan for the economic development of the region. This can help to increase the institutional capacity needed to support a mature economic development culture.

Established regional economic development agencies: A host of economic development agencies are promoting economic development from a variety of perspectives. These include the Greater Phoenix Economic Council, Arizona Commerce Authority, Greater Phoenix Chamber of Commerce, Arizona Chamber of Commerce, Western Maricopa Coalition (WESTMARC), East Valley Partnership, and Greater Phoenix Leadership. These agencies are all active members of the MAG Economic Development Committee.

Perceived open opportunities for business: Private sector leaders often refer to the economic development climate in the region as being supportive of new ideas and people. They refer to other metro regions as being cliquish or unwelcoming. This applies to individual employment opportunities, as well as to the ability to do business culture. Public and civic institutions in this region support an

open climate for opportunity by hiring newcomers to the area and by implementing new ideas and projects.

## **Weaknesses**

Less experience in targeted economic development: The region and the State of Arizona are relatively young compared to most other areas in the country. This means the culture and institutions have not had as much time to develop as other regions with more history. During the boom years, significant population growth and a heavy reliance on the growth of housing market meant the region did not need to target specific economic development strategies. Other regions that have not experienced a significant economic burst have had to be more intentional and deliberate in forming their economic development strategies.

More competitive economic development climate: The cities and towns significantly rely on sales tax revenue for funding. This contributes to a very competitive economic development climate. Collaboration may not be seen as productive and economic development agencies from one municipality to the next may be easily incentivized to collaborate.

Lack of tax increment financing: The State of Arizona Constitution contains a gift clause that prevents the region from applying tax increment financing. Arizona is currently the only state in the country to not utilize this economic development tool.

Perception of development codes as slow and unresponsive: Some local private sector leaders express frustration with what they perceive as municipal development codes that hinder or slow business. Some of these policies were put in place during the boom years. Since the impact of the recession has dramatically slowed business, these codes have not been updated to reflect the current environment. This creates a disconnect between the needs of business and the ability of municipal codes to meet these needs.

Political appetite for government not in alignment with current role of government: The lack of a significant corporate headquarter presence and the limited presence of foundations creates a heavier reliance on government than exists in other regions. This is demonstrated in part by the role of government as one of the largest employers in the State of Arizona. At the same time, the conservative political climate favors small government. This is out of alignment with the significant role government currently has in employment. Attempts to reduce the role of government can result in budget reductions that limit employment and the availability of economic development tools that could benefit the region.

## **Opportunities**

Legislative support of economic development policy: Recent legislative policy and actions are supporting economic development in new ways. There are opportunities to build on this progress. For example, the Arizona Corporation Commission mandated that 15 percent of all energy would be developed through renewable energy by 2025 through the Renewable Energy Standards. The jobs bill and the development of the Arizona Commerce Authority through legislative action illustrate a commitment to pledge public sector support to economic development.

## Threats

Less collaboration as compared to peer regions: Other regions in the county and world are organizing their activities in economic development. The public and civic institutions have established close-knit networks that support a collaborative culture and make the region respond more nimbly to opportunities. Failure to do so in this region will be to the detriment of the economy and its ability to thrive.

Legislative actions that contribute to a negative image: Regardless of one's position on SB 1070 and the Legislature's activities to address illegal immigration, it has contributed to a negative public perception of the region. This has been demonstrated to have a negative effect on the economy, as evidenced by boycotts of the region's attractions, services, and products. The business sector has been vocal in its desire to rebrand the region. Continued similar legislative activity is a threat to achieving this goal.