



Douglas A. Ducey
GOVERNOR

MILITARY AFFAIRS COMMISSION

OPEN MEETING MINUTES

Wednesday, January 14, 2015

Arizona Board of Pharmacy Boardroom

1616 W Adams St, Suite 120 Phoenix, Arizona 85007

www.azgovernor.gov/MAC/



Maj Gen Michael T. McGuire
THE ADJUTANT GENERAL

I. Call to Order: Co-Chair Lisa Atkins called the meeting of the Military Affairs Commission (MAC) to order at 10:06 a.m.

II. Roll Call: The following Commissioners were present who created a quorum:

Lisa Atkins, Co-Chair, Member with military affairs expertise
COL Thomas Finnegan, USA Ret., Co-Chair, Member with military affairs expertise
Supervisor Gregory Ferguson, Local elected official
Michael Francis, Private property interests member
Supervisor Clint Hickman, Local elected official
LtGen Robert Johnston, USMC Ret., Member with military affairs expertise
Mayor Rick Mueller, Local elected official
Monsignor Richard O'Keeffe, Member with military affairs expertise
Supervisor Anthony Smith, Local elected official
Supervisor Ramon O. Valadez, Local elected official

The following Advisory Members were present:

The Adjutant General, Maj Gen Michael T. McGuire
Federal Land Use Agency, Michael Werner, BLM

Governor's Liaison and Staff Present:

Dr Joseph Cuffari, Military Policy Advisor to Governor Douglas A. Ducey
Travis Schulte, Legislative Liaison/MAC Coordinator, Department of Emergency & Military Affairs
Brian Luse, Arizona Attorney General's Office

Absent members: Brig Gen R. Thomas Browning, USAF Ret., Priscilla Storm (Private property interests), Arizona Commanders Summit Chair/Co-Chair (Advisory), State Land Commissioner – vacant (Advisory)

Co-Chair Lisa Atkins welcomed everyone and thanked them for their attendance. Co-Chair Atkins recognized Senator Steve Smith, Senator Kelli Ward, Representative Sonny Borrelli, and Representative Noel Campbell in the audience.

III. Approval of Minutes from 14 July 2014 MAC Meeting:

Co-Chair Atkins requested a motion to approve the minutes of the 14 July 2014 Military Affairs Commission meeting.

MOTION: Monsignor O'Keeffe

Second: Supervisor Valadez

Discussion: No discussion.

Motion approved 10-0

IV. Out-brief of the State Military Affairs Advisory Panel (SMAAP) – Dr. Joseph Cuffari

Dr. Cuffari provided a brief summary of the assessment conducted on the six U.S. military installations in the state by the State Military Affairs Advisory Panel: Davis-Monthan AFB, Fort Huachuca, Luke AFB, Marine Corps Air Station – Yuma, Yuma Army Proving Ground, and U.S. Naval Observatory; and the Arizona National Guard Camp Navajo installation.



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Dr. Cuffari recognized the stakeholders who participated in the assessment, reviewed key findings of the assessment, discussed the recently announced action to consolidate military infrastructure in Europe, the F-35 basing decision at RAF Lakenheath, U.K., and recapped actions taken and testimony offered by himself, Co-Chair Finnegan, and Mayor Mueller during Fort Huachuca's Community Listening Session in November following the Supplemental Programmatic Environmental Assessment (SPEA) for Army 2020 Force Structure Realignment.

Mayor Mueller thanked the Governor's Office, Dr. Cuffari, and Co-Chair Finnegan for participating in the Community Listening Session in Sierra Vista, and noted that the support demonstrated by state, county, and Congressional offices at the listening session were greatly appreciated by the city and was important to demonstrate to the Department of Defense.

Co-Chair Atkins thanked Mrs. Patt Parker, former Strategic Military Affairs Coordinator for Governor Brewer and unable to attend the meeting, and her assistant Ms. Heather Ryan for their efforts in performing the assessment. Co-Chair Atkins noted that the data compiled as part of this effort has helped prepared Arizona for any future decision the Department of Defense may make regarding basing decisions.

Mayor Mueller stated that the European drawdown will take place in FY2016, and that one of the reasons the federal government has not done a BRAC yet is that the DoD needed to perform the European infrastructure consolidation first. Once the European consolidation effort is started, it will be important that the Commission has completed the assessment of state installations so that Arizona is prepared for a potential BRAC when it may come unless there is significant change in Washington, D.C.

Co-Chair Atkins noted that with the Legislature's vote to continue the Military Affairs Commission after the 2014 Sunset Set Review, the Commission has been proactively working to fulfill its responsibilities to provide the Executive and Legislative Branches the information needed to align state policies to not only protect and enhance the missions and installations Arizona currently has, but grow missions at federal military installations located in Arizona that play a unique role in our national defense.

Supervisor Valadez suggested this information be used to create a plan in the event of a BRAC. Co-Chair Atkins confirmed that is the intent of this effort, and that it was started prior to the change in administrations in order to inform Governor Ducey and ensure Arizona's preparation efforts were ahead of any potential BRAC.

Co-Chair Finnegan stated that the other piece of this effort is the update to the Allen Maguire *Economic Impact Of Arizona's Principal Military Operations* study, which is critical and the piece that gets attention, particularly with policy makers and communities.

Co-Chair Atkins stated that the other opportunity this effort provided was to loop in the business community, which has a focused message on the importance of defense activities in Arizona to both the state and the nation, and that as those business groups travel to Washington, D.C. to speak policy issues with members of Arizona's delegation, this will be among the policy issues they discuss.

Dr. Cuffari acknowledged and thanked the Arizona Commerce Authority and Arizona Chamber of Commerce, who are putting together a marketing campaign to highlight the military assets in the state.



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V. Review/Complete 2014 Military Installation Fund (MIF) Acquisition Recommendations

Staff briefed the Military Affairs Commission regarding the Military Installation Fund recommendations for the current acquisition round made on 5 November 2013. The appraisals for the recommended applications were received on 16 January 2015, and the environmental site assessments are expected to be completed at the end of January. The Department will begin moving forward on the acquisition process in accordance with state procurement rules and procurement law for the recommended applications using the order of applications as presented by the Military Affairs Commission's recommendation on 5 November 2013, which staff understands to have been determined by a statewide approach that factored in the impact to the property by the military installation as measured by the application's evaluation score and also by threats to the military installation, such as by closure or encroachment.

The acquisition order recommended by the Commission is: Arizona Land and Water Trust (Fort Huachuca), Rocking K Holdings (Davis-Monthan AFB), Ashby Land, LLC (Luke AFB), Joseph and Barbara Wittman (Luke Auxiliary #1), Primiano 1 (Luke Auxiliary #1), Galvez et al (Gila Bend Auxiliary), and Candee Stout (Gila Bend Auxiliary).

The final price for acquisition offers, which is either the lesser of the applicant's asking price or appraisal price, is \$4,819,895.00. Total available funding for private property acquisition, which is the balance remaining after the funding allocation for applications from Counties, Cities and Towns and acquisition due diligence, is \$3,698,800.00. Application acquisition will begin with the purchase of the priority recommended by the Commission until available funding is exhausted. Any applications that are not funded in the current round will be able to opt-in the next FY15 MIF acquisition round for consideration.

In reviewing the priority list, Co-Chair Finnegan reminded Commissioners and the audience that the application from the Arizona Land and Water Trust is being leveraged with nearly \$5 million from Department of Defense Readiness and Environmental Protection Integration (REPI) funds that the DoD uses to resolve encroachment issues around installations. This application aligned with the primary focus area in a project lead by Western Regional Partnership to secure conservation easements along the northern boundary of the fort, which leverages MIF funding with not only DoD funding but also other partners. The project area identified by Western Regional Partnerships is expected to be recognized as a Sentinel Landscape, which is an agreement between the U.S. Departments of Agriculture, Interior, and Defense that recognizes the area is a large landscape anchored by a military installation and is intended to be protected. The U.S. Forest Service has already dedicated money to the area, and efforts are underway to get the State Forester involved.

Commissioner Francis requested each recommendation be read with the name and final offer price of the application in the order of priority: Arizona Land and Water Trust - \$772,920 (requested); Rocking K Holdings - \$843,750 (requested); Ashby Land, LLC - \$1,277,750 (appraisal); Joseph and Barbara Wittman - \$773,300 (appraisal); Primiano 1 - \$92,000 (requested); Galvez et al - \$739,175 (appraisal); and Candee Stout - \$318,000 (requested).

Regarding the Rocking K Holdings application, LtGen Robert Johnston, USMC Ret., stated that an alternate offer has been proposed by Rocking K Holdings for \$571,957. Staff confirmed receipt of that offer and explained that the offer was for 22.96 acres instead of the 33.87 acres in the original application, and that state procurement rules will guide the acquisition and counter-offer process to determine the offer that is in the best interests of the state. Staff also stated that the state procurement process will guide the other instances where there is a large disparity between the final offer price and the appraisal price.



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Supervisor Ferguson inquired about the different acquisition requests for MIF funding: conservation easement/deed restriction, real estate rights, and real estate and development rights. Staff explained that the conservation easement allows the owner to retain ownership of the land but prevents future improvements to the land and generally only allows ranching or agricultural activities, the real estate rights request is a commercial property acquisition, and the real estate and development rights request allows the owner to retain ownership of the property but prevents development of the land in such a way that would conflict with the neighboring military mission.

Co-Chair Atkins briefly reviewed the origin of the Military Installation Fund (MIF), and the critical role the MIF plays in addressing private property rights, and insuring compatibility between private property rights and military operations in the State. The Legislature originally intended to allocate \$5 million per year for a period of 20 years, but economic concerns have impacted the Military Installation Fund, as it has the rest of the state, and the MIF has gone unfunded in some years during the economic downturn. The Commission seeks to leverage the limited amount of MIF funding to maximize the protection of property owners and military installations.

Staff also recapped the recommended applications for County, City and Town funding. Pima County was recommended to receive \$800,000 for a capital improvement project near Davis-Monthan AFB, and the City of Yuma was recommended to receive up to \$200,000 to fund half of a feasibility study for the relocation of the Yuma County Fairgrounds. The Pima County project is actively underway. The status of the City of Yuma application was unknown at the time of the meeting. Staff was able to contact the City of Yuma after the meeting and was informed that an agreement for the feasibility study project is currently being drafted with Yuma County and other key stakeholders as partners to the funding agreement.

VI. Military Installation Fund Update

Staff provided draft applications to the Commissioners for review and comment. No comments were received. Staff informed the Commission that the next application period can begin on February 6 at the earliest, due to Arizona Administrative Rules governing the MIF that the application deadline be posted in the *Arizona Administrative Register* at least 60 days prior. This would place the deadline for mailed applications on 8 April, and 10 April for applications submitted in person or email.

After the application period closes, the applications will be reviewed by an independent committee to score the applications based on criteria set in the Arizona Administrative Rules. After scoring, the applications will be ready for review by the Commission near the end of May or early June.

Co-Chair Atkins requested a motion to approve the application period beginning 6 February through 10 April 2015, with mailed applications postmarked no later than 8 April.

MOTION: Supervisor Valadez

Second: Monsignor O'Keeffe

Discussion: No discussion.

Motion approved 10-0

Co-Chair Finnegan inquired if the applications that are not funded this year will be retained. Staff confirmed that those applications that were not recommended or funded this round will be able to opt-in to have their application considered in the next round as well. A notice will be sent to those applicants requesting their confirmation to opt-in into the next round.

The MIF application will be posted at <http://www.azdema.gov/mifapplication/mifapplication.html>.



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VII. MAC Business

- Richard Thompson, Director of the Natural Resources Division with the Arizona State Land Department, provided an update to the Commission regarding the Public Land Exchange program. The Division received the funding necessary to proceed with setting up the program in July. When Director Thompson addressed the Commission in July, the process was just getting started to organize the program and begin the hiring process. Since that time, a process timeline has been developed to incorporate all the requirements needed to complete an exchange and the time each step will take. Draft Rules have been advanced addressing some critical points in the process timeline. Director Thompson stated that the drafted rules are efficient and concise. Two of three individuals have been hired to staff the Exchange program. The third position is subject to the hiring freeze. The priority for these staff members are to create their first project, and will be discussed in the coming weeks. Once a project is outlined, it will be overlaid over the process timeline to determine how soon the project can be started.

Director Thompson has meet with BLM to discuss their land exchange process. BLM's process will have to be integrated into the State Land process. Based on initial discussion, BLM's process may take two to three years to complete. BLM has been a great partner in the development of the process.

Director Thompson was able to participate in the installation visits this summer and gained particular insight on the land status and the impact State Land has on the military operations. State Land currently does not have a Commissioner, but during the transition period they will continue to develop the program and be in a position to brief the new Commissioner when he or she comes on board and sync the priorities with the new administration at that time.

Co-Chair Atkins asked that, based on the information provided, if it would be reasonable to assume that we may be four to five years out from an exchange program. Director Thompson stated that the program was first authorized by the Legislature last year and will be set up soon, but are years out from completing an exchange.

Co-Chair Atkins asked Director Thompson to stay in touch with staff on when those key timelines are met, such as receiving permission to proceed with the Rules filing, in order to allow the Commission to support his efforts. Director Thompson confirmed he would. Co-Chair Atkins thanked Director Thompson for all of his hard work.

Advisory Commissioner Werner confirmed the complications of land exchanges mentioned by Director Thompson, but that Bureau of Land Management is on-board and excited to work with the state of Arizona and undertake the first land exchange. BLM sees this opportunity as a win-win-win for three entities: the military, the state revenue process, and the conservation goals of BLM.

Co-Chair Atkins stated the she and Co-Chair Finnegan are invited to participate in the Arizona Commanders Summit, which is the leadership of all of Arizona's military installations and everyone, and thanked Advisory Commissioner Werner for the participation of his Director in those meetings as it ensures great conversations are going on around the state regarding public assets and cooperation.



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Dr. Cuffari introduced three legislative proposals combined into one bill that was requested by former-Governor Brewer's Office, based on information received from the military installation visits and research conducted over the past six months. Staff recapped the three proposals, which are: to increase membership of the Commission in each category (local elected official, military affairs expertise, and private property interests) by one (three total), with the objective to include representation from Coconino County, which is host to the U.S. Naval Observatory and Camp Navajo, the largest Arizona National Guard installation and Regional Training Site for all members of the U.S. Armed Forces; to grant the Commission the authority to protect proprietary discussions and information regarding potential BRAC actions as confidential; and to allow the Commission to utilize remaining MIF monies to fund projects or studies that protect or enhance military operations in the state.

LtGen Robert Johnston, USMC Ret., inquired if it would not be better to grant the authority to use MIF funds upfront, as opposed to hoping there is remaining funds. Staff stated there is historically some funds remaining in the MIF after each acquisition round, and that there could be resistance in allowing the Commission to divert monies that are intended to support private property owners. Supervisor Ferguson suggested the funding could come from the amounts reserved for public (Counties, Cities and Towns) applications. Supervisor Valadez concurred. Staff will investigate that option.

Governor Ducey's transition team has reviewed and concurred with these requested changes. Co-Chair Atkins thanked Rep. Borrelli for sponsoring the bill.

- Staff announced that Commissioner Edward Dupstadt has formally resigned from the Commission due to failing health. Commissioner Dupstadt expressed regret that he could not present his resignation in person, as his heart would not allow him to travel. Commissioner Dupstadt filled a private property interests appointment by the Governor. There are also vacancies in the private property interests appointment by the Speaker of the House and Senate President. Per A.R.S. § 26-261(B), a private property interest appointment must represent private property interests in the territory in the vicinity (of a military airfield) as defined in A.R.S. § 28-8461.

As previously mentioned by State Land Natural Resources Director Richard Thompson, Vanessa Hickman resigned as State Land Commissioner on 5 January, leaving the Advisory Commissioner position reserved for the State Land Commissioner vacant.

Co-Chair Atkins asked Monsignor O'Keefe to express to Mr. Dupstadt the thanks of the Commission for his service, and that he was a very valuable member of the Commission and he has the Commission's thoughts, prayers, and best wishes.

Supervisor Ferguson added that the Yuma area greatly appreciated the work that Mr. Dupstadt did on the Commission. One small contribution that Mr. Dupstadt gave to the Yuma area was convincing General Motors to relocate their test track to Yuma Army Proving Ground in Yuma County from Maricopa County.

(Note: Mr. Edward Dupstadt passed away on 19 January 2015)



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Co-Chair Atkins opened the floor to the Commissioners.

- Supervisor Hickman inquired if there was a strategy to ensure the Military Installation Fund is funded again this year. LtGen Robert Johnston, USMC Ret., stated that the annual appropriation was originally intended to be 5% of the amount that is derived from state taxes on military income, which was intended to demonstrate the support of the state in preserving the military installations. Co-Chair Atkins confirmed that was the proposal but it was put in statute as simply \$5 million per year over 20 years until removed in 2011. Co-Chair Atkins stated they will not know the strategy until Governor Ducey releases his recommended budget on 16 January.
- Supervisor Valadez informed the Commission that Pima County has produced informational handouts that discuss the impact of and Pima County's involvement with Davis-Monthan AFB and the ANG 162nd Wing at Tucson International Airport. The handouts were distributed to the Commissioners and on the public information table.

VIII. Call to the Public

No public comment.

IX. Adjournment

Co-Chair Atkins stated the earliest the next Commission meeting will be to discuss the Military Installation Fund will be around June. The Commission may not wish to wait six months to call the next meeting, and in the interim any future meeting could be driven by the budget and legislative cycle but could be called sooner if Commissioners identify issues that need to be addressed promptly.

Co-Chair Atkins thanked the Commissioners and the public for attending and adjourned the meeting at 11:30 a.m.