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The Phoenix City Council convened in special session on Tuesday, February 2, 2010, at 2:00 p.m. in the City Council Chambers, 200 West Jefferson Street, Phoenix, Arizona.

ROLL CALL

Present: Council Members Sal DiCiccio, Bill Gates, Michael Johnson, Claude Mattox, Peggy Neely, Tom Simplot, Thelda Williams, Vice Mayor Michael Nowakowski, and Mayor Gordon

Absent: None

Also Present: City Manager David Cavazos, City Attorney Gary Verburg, City Clerk Mario Paniagua, and Budget and Research Director Cathleen Gleason

The minutes of this meeting were submitted to Ms. Neely for review.

ITEM 1**CITYWIDE****ORDINANCE G-5485 -
AMEND CITY CODE - IMPOSE
A TRANSACTION PRIVILEGE
(SALES) TAX ON FOOD**

The Council heard request to amend Sections 14-465(q) and 14-660(q) of the Phoenix City Code to impose a transaction privilege (sales) tax on food purchased for home consumption.

Mayor Gordon requested confirmation this meeting had been properly posted and would proceed with all state and city laws.

City Attorney Gary Verburg advised that staff had been careful to ensure all of the rules had been followed for this item.

City Manager David Cavazos stated there had been much discussion concerning a food tax. Staff had prepared information slides and the Budget and Research Director would present the information.

Budget and Research Director Cathleen Gleason presented the first slide and described the slide as a summary of all the cities within Maricopa County which currently had a food tax. She pointed out there were three cities within Maricopa County without a food tax: Phoenix, Mesa, and Surprise. Cities such as Youngtown, Guadalupe, and Gila Bend charged three percent on food compared to Chandler's rate of one and one-half percent on food.

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The next slide summarized revenue estimates of the food tax with a July start date as \$50 million, however, if the tax began in April the amount would grow to \$62 1/2 million. Ms. Gleason noted it was tricky to estimate something that was not collected, and stressed it had been 30 years since Phoenix had collected a food tax.

Mayor Gordon acknowledged this item was to have been heard March 2 but the process was begun after he learned an additional \$12 1/2 million could be realized if immediate action was taken. The item could still be adopted with a clause which would designate the effective date as April, but noted everyone would have a chance to comment through a public hearing process. He explained the \$12 1/2 million would allow senior centers, libraries, and jobs to be saved.

Secondly, Mayor Gordon explained, people had contacted his office requesting the tax to save public safety jobs, libraries, and parks. He noted the passage of the 2 percent tax at this time did not forego increasing the amount adopted at the end of the process. This was just beginning and he advocated putting everyone's comments on the record.

Mayor Gordon believed there was no one on the Council who wanted to increase taxes impacting citizens and this was a last resort for those serving in office. They hoped to be honest and move forward without politics or self-interest. He supported the 2 percent food tax, and felt this would help the community and those in need.

Mayor Gordon stated they would hear from the labor union representatives and followed by the public speakers.

Mr. Simplot commented with regards to the process. The City Manager budget did not include new sources of revenue. He thought the food tax and other new revenue sources not included in the City Manager's budget should be put on the table for public comment which would provide a fair process. Public town hall meetings allowed everyone an opportunity to comment and possibly present other revenue generating ideas. He thanked Mayor Gordon for having this item on the agenda and allowing public participation in a formal setting.

Mayor Gordon stated Mark Spencer would speak first on behalf of PLEA.

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Phoenix Police Officer Mark Spencer, represented over 2,500 fellow Phoenix police officers as the President of Phoenix Law Enforcement Association (PLEA). Officer Spencer described a situation which had occurred that morning where officers had to use lethal force. Officer's had engaged in a gun battle and stopped an armed subject who threatened the community and he noted this was how they started their morning.

Cuts to police and fire were inconsistent with common sense, citizen's priorities, and the City's commitments. Officer Spencer did not feel the 2 percent food tax would meet the needs of the current staffing crisis in public safety and agreed with a consideration for new ideas.

Mayor Gordon thanked Officer Spencer for his time and commitment to law enforcement. He understood, based on previous conversations with Officer Spencer, that he supported a larger tax on food. Mayor Gordon questioned if Officer Spencer was in support or opposition.

Officer Spencer thought PLEA's position would be a 2-year limited food tax at 4 percent with the funds directed to public safety.

Mayor Gordon stated a 2 percent increase adopted by the Council at this time would take effect sooner and bring in an additional \$12 million that would not be available if the Council adopted a 4 percent tax to be effective March 2.

Officer Spencer requested clarification of Mayor Gordon's statement.

Mayor Gordon declared a 2 percent tax passed at this time, if not repealed, would bring in an additional \$12 1/2 million. The funds would be used for all of public safety and save jobs. The 2 percent could be adopted and then an additional 2 percent could be adopted later if it was deemed appropriate by the Council. Adopting the 2 percent at this time however, gave the City an additional \$12 1/2 million.

Officer Spencer explained there was a phrase "too little, too late" which he thought applied in this case. Surges were described as alleviating a crisis and brought stability to an unstable environment and he felt the revenue should be audited and have community oversight.

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Mayor Gordon stated the Council had fought to increase police and fire. He explained an immediate 2 percent increase would add \$12 1/2 million to reduce the budget cuts. He pointed out the amount would be over and above any amount adopted March 2. He felt this was an opportunity to possibly not have lay-offs in fire and police and reiterated if adopted immediately, the additional \$12 1/2 million would be in addition to any amount adopted March 2. He requested confirmation from staff to avoid misstating the situation and requested clarification the \$12 1/2 million would be in addition to the 2 percent or possibly 4 percent on March 2. Ms. Gleason agreed that was correct.

Mr. Cavazos noted for Mayor Gordon the funds would go to the General fund.

In response to questions from Mayor Gordon, Mr. Verburg advised the Council could make changes to what was adopted at this time without limitation. Mayor Gordon expressed his desire to illuminate the information for those who were hearing it for the first time.

Mayor Gordon thought adopting the 2 percent immediately; putting the City \$12 1/2 million ahead was surging in his opinion. There was opportunity to review this action and change their opinion. Noting he had a family member who was a police department employee, he requested support from police to proceed with the 2 percent increase, and to study the issues discussed.

Officer Spencer thought it justifiable the funds generated would be distributed equitably. He pointed out 70 percent of the budget was public safety and he felt it reasonable and fair for 70 percent of the food tax to be distributed in accordance with the budget percentage.

Mayor Gordon assumed Officer Spencer referred to saving the jobs of those officers scheduled to be eliminated.

Officer Spencer agreed and noted the 2 percent would help even though it was a small amount. He noted the 4 percent would have been better and allowed them a chance to catch their breath.

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Mayor Gordon thought the issue was different and explained the earlier start date would start the process sooner and the amount of tax collected would be in addition to the original \$50 million.

Officer Spencer explained he was part of a team and his position had been communicated to the City Manager with regards to percentages and the willingness of the community to participate.

Mayor Gordon asked for clarification that Officer Spencer was recommending the 2 percent not be implemented at this time waiting until March 2. A food tax adopted after the public hearings, would be \$12 1/2 million less than if this were passed at this time.

Officer Spencer recommended exercising caution, but thought there was an opportunity to surge quickly and also that the problems be resolved quickly. Mayor Gordon questioned if he recommended adopting the 4 percent tax at this time. In response to Mayor Gordon, Officer Spencer agreed he would recommend 4 percent each year for a two-year period.

Mayor Gordon thanked all of the officers and firefighters present for their service to the community and noted they would do everything possible to make their year safer.

Fire Captain Pete Gorraiz, Phoenix, Arizona, president of the United Phoenix Firefighters Association, was present in support of public safety and was in favor of the food tax. The Fire Department was short approximately \$25.8 million and explained this amounted to 144 positions. The department lost two ladder, two engine, and two rescue trucks due to budget cuts. There were currently 124 frozen positions in the Fire Department and he knew there were approximately 400 frozen positions in the Police Department. This affected the volume of calls operators received, response times, and activity levels. In addition an increase in call volume meant someone from another area would have to handle their calls, potentially leaving the other area unprotected and with an even longer response time.

Captain Gorraiz explained 75 percent of the engines in Phoenix were running over 2,000 calls and 14 percent were running over 3,000 calls. In addition, 64 percent of the ladders were running over 2,000 calls and 83 percent of the rescues were handling over 2,000 calls, with 48 percent of those rescues taking over 3,000 calls.

The Fire Department was already down, and Captain Gorraiz explained the food tax at 2 percent would raise enough money to save three engines and two

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rescues. Though this would not bring back the ladder or engine trucks or prevent other cuts in the department, it would protect them from eliminating more. He requested Council adopt the tax. He agreed personnel had grown over the past 20 years, and much was funded by special revenue funds passed by the voters. Fifty percent of the alarm room had been funded through other cities provided fire services by Phoenix.

Captain Gorraiz thanked the Council and for their support not just because it saved the firefighters, but because this would have a significant impact on their ability to protect the citizens they served.

In response to Mayor Gordon, Captain Gorraiz confirmed the United Phoenix Firefighters contributed funds to and created the Thomas Pappas School, which serviced the City's homeless children. He explained the firefighters had been contributing to the school for over 20 years and it was impossible to determine the total amount donated. In addition, the association was instrumental in obtaining contributions from other labor organizations and individuals for shelter services such as Central Arizona Shelter Services and over 45 charities in the Valley. He expressed pride in their community involvement and noted the charities were funded by money they raised which amounted to more than \$1 million. He noted for Mayor Gordon some of the charities included food banks; toys for tots; adopt a family program; and the drowning prevention program.

Captain Gorraiz could not approximate the number man hours or the average contributions to the community by the Phoenix Fire Department staff. He noted time spent was usually the employee's free time and there was something happening in the community every week. He also confirmed for Mayor Gordon, it was the position of the United Phoenix Firefighters members, the proposed 2 percent food tax be implemented immediately. He stated the tax did not just save one or two firefighters or police officers; it also would address 500 jobs Citywide and affect all of the employees.

Mayor Gordon thanked Captain Gorraiz and noted for a member of the audience, individuals were losing their jobs and he would be giving them an opportunity to speak on the related budget issues. The input allowed the Council to make an informed decision and he asked the individual to respect the opinion of others and await his turn.

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Ms. Nancy Gray, Phoenix, Arizona, president of the American Federation of State, County, and Municipal Employees (AFSCME) Local 2960 spoke in favor. She represented the largest bargaining unit with more than 3,500 unit members, was a retired City of Phoenix employee, and in two years would complete her term after serving 25 years. She reminded everybody that to provide the services expected, the food tax was needed.

The bargaining unit with the majority of the lay-offs and hit the hardest was the Local 2960. Ms. Gray respected and did not want to see firefighters and police officers laid off however, she represented the first responders who were taking the 911 calls and dispatching them to police officers and firefighters. The 911 fire dispatchers saved the life of a 50 year old man who had heart failure the previous evening. The operator instructed the man's wife on how to provide chest compressions. She explained the importance of this type of job and pointed out they were short of staff and sometimes worked double shifts.

Ms. Gray expressed concern City employees were depicted as earning \$105,000 per year. Her members earned an average of \$50,000 a year with benefits. In addition, she opposed privatization and stated it would cost the City more and suggested those in favor of privatization review files in the Risk Management Division of Finance for the amount the City paid for damages created by outside companies. She supported the immediate 2 percent tax on food to save jobs.

Mayor Gordon thanked all those employees present for their service.

Mr. Ron Ramirez, Phoenix, Arizona, was the President of ASPTEA, and spoke in favor. He represented the largest group of employees in the City whom he described as the unsung heroes responsible for repairing things such as pot holes in streets and broken water mains. He supported the tax and would also support an increase in the food tax to 4 percent.

Mr. Ramirez explained their group had diligently tried to find solutions with incentives and reductions to become more efficient. He was not in support of privatization and noted he had come from the private sector. The private sector was not as productive as previously thought and felt the City employees were competitive and dedicated to the community.

Mr. Luis Schmidt, Phoenix, Arizona, represented AFSCME 2384 and was present in support of the 2 percent food tax. Though public safety was a priority, the 2 percent tax on food would also save a library and a community center. The youth and the elderly were affected by the closure of libraries and community centers. AFSCME 2384 was committed to working with the City to find savings

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which could be returned to the public. With regards to privatization, he felt city employees took ownership of their work. He described an incident where a sanitation truck had the breaks changed by a contractor. The job was not completed and as a result, the truck crashed into a building. He explained that would not have happened with City employees. He also noted that the Fire Department had wanted to outsource work on some of their trucks, however it was discovered the warranty would have been voided if the repairs had been completed by a private company. AFSCME 2384 was committed to working with the Council and was in favor of the two percent sales tax.

Mayor Gordon requested Mr. Schmidt provide a quick job description of his union's members.

Mr. Schmidt clarified his unit represented the field, trade, mechanic, and electrician classifications. They represented all of the building trades which included taking care of all the fire houses. He also explained the employees in his unit had been on standby during the large storm which recently passed through the Valley. The average salary was approximately \$55,000 to \$60,000 with benefits which was not close to the \$100,000 described as the average salary for a City employee.

Mr. Kurt Melasy, Phoenix, Arizona, represented the Local 777. He stated that all of the representatives of Local 777 present were off-duty. The Local 777 represented laborers in the Parks and Recreation, Street Transportation, and Public Works Departments. Their job duties included picking up the trash, cleaning alleys, keeping parks clean, bathrooms clean, and graffiti removal. The unit employees were responsible for picking up some unpleasant things in the parks to protect the children and also kept gangs and unsavory people out of the parks. He noted every position was important. Cuts had been taken from community centers, senior meals, youth programs, and senior programs which he thought affected those who had the least. Those who went to the community centers looked forward to the meals, and the after school programs were important to the children. Everyone wanted clean, safe parks, wanted their alleys clean, and the garbage picked up on time.

Mr. Melasy stated this was the first time in 12 years all six collection areas were under City collection. There were no private haulers in those six collection areas which showed how competitive employees could be.

Mr. Melasy told a story which occurred when a groundskeeper was approached by a resident who made the comment he could cut the grass cheaper and trim the trees cheaper than the \$100,000 city employees were making. Another story concerned a Street Transportation Department employee who was on a four-man crew and was approached by a resident, who began

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writing the employees' names down. He said the citizen expressed irritation there were too many people present to do the work and it was inefficient. He thought it concerning employees had been approached by residents who had begun to take exception to how employees worked or how much they earned.

Mr. Melasy stated the average wage for those the Local 777 represented was approximately \$65,000 although there were more people at the higher pay scale since the department cuts from previous years.

Mayor Gordon explained an attempt to disrupt the meeting had been discovered. He asked everyone remain seated and let the trained professionals handle the issue.

Mayor Gordon noted this was a difficult decision for the Council. He had a speaker comment card for the record from Mr. Faussane Raymond, Phoenix, Arizona, in opposition to speak.

Ms. Natasha Nimen, Phoenix, Arizona, spoke in favor. She was a member of AFSCME 2960, and worked for the Phoenix Fire Department in a civilian position as a Fire Inspector. She supported the 2 percent tax, to save employee positions. She explained Fire Inspectors made sure both citizens and firefighters were safe.

Mr. Joseph Witt, Jr., Phoenix, Arizona, spoke in favor. He thought the 2 percent food tax was needed, noting that in drastic times, drastic measures were needed. He was a member of AFSCME 2960 and supported saving jobs in his union as well as fire and police.

Mr. Christopher Harmon, Phoenix, Arizona, spoke in favor of the food tax. He was a member of AFSCME 2960 and proposed a surge with collections. He felt additional personnel would enable them to collect money which was outstanding debt making it possible to cut less and not increase taxes.

Ms. Kathryn Kobona, Phoenix, Arizona, spoke in favor. She opposed the food tax initially but was now persuaded the 4 percent tax was appropriate. She believed in public safety first and requested her speaker comment card reflect her change.

Mr. Jeff Greenspan, Phoenix, Arizona spoke in opposition. He thought the tax showed economic ignorance and guaranteed the yield would not be as anticipated. He pointed out that the revenue estimate on the one percent sales tax increase by the state had been reduced by 20 percent. In addition, taxes contributed to job loss. He worked in the private sector and did not feel the

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citizens should provide City employees with a job protection program, and he thought the salaries were above average.

Mr. Greenspan argued he had to tighten his belt as had everyone in the private sector. There had been a lot of jobs lost and introducing a new tax in one of the worst economic situations would result in additional job loss. He expressed a rhetorical question as to what would happen to a dollar not assessed in taxes and explained it gained value in the private sector, but lost value in the public sector.

Mayor Gordon questioned Assistant City Manager Ed Zuercher and requested he correct whether the average City salary was \$100,000 with benefits.

Mr. DiCiccio questioned whether part-time employees would be included in the \$100,000 figures.

Mayor Gordon thought the average salary per employee was \$80,000 if police and fire were eliminated from the figures. Non-professional positions remained at approximately \$50,000 to \$60,000 with full benefits.

Mr. Johnson stated the average salary figures given had included all of the employee's benefits including retirement and over-time. He felt most jobs would not be advertised at a pay range which included benefits. The job would only advertise the net pay or take home pay which in this case he thought was closer to \$55,000.

Mr. Johnson thought the average city employee had a gross salary of \$50,000 to \$60,000. Whether the employee was in private industry or government, the salary level was based on gross pay and was not inclusive of the benefit package.

Private industry also had benefit packages beyond the salary and what we would compute to be a yearly salary. When they get their W-2 at the end of the year, their W-2 is only for that gross salary that they actually received; it is not for and inclusive of those benefit packages. Mr. Zuercher agreed the average take home pay for a City employee was \$55,000 to \$60,000.

Mayor Gordon explained the figure representing the average City employee salary was inclusive of all types of positions, including professionals such as attorneys, engineers, architects, etc. or entry level park employees. This also took into account all of the benefits inclusive of pensions and overtime. Removing the benefits, police and fire earnings, would reduce the figures significantly. At the moment the Council was attempting to balance a budget as

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required by State law. He explained the Council had difficult decisions to make and needed to move through this process efficiently. He felt there would be additional opportunities for debate and discussion.

Mayor Gordon noted the following speaker comment card would be submitted for the record from: Mr. Peter Anderegg, Phoenix, Arizona, to speak, in favor.

Ms. Ginny Hildebrand, Phoenix, Arizona represented the Association of Arizona Food Banks, and spoke in opposition on behalf of St. Mary's Food Bank Alliance and the Desert Mission Food Bank. Food was essential to everyone's life and she disagreed with the tax. She asked for consideration of the 288,000 Phoenicians living below the poverty level. Food stamps would cover approximately 3/4 of the food purchased for consumption and she requested Council consider a rebate or credit for the low income population. She pointed out that the low income population would pay more in proportion to their income.

Mayor Gordon stated the City contributed to the homeless, food banks, and those living below the poverty level.

Mr. Zuercher agreed the City contributed more than any other government entity in the State of Arizona, and confirmed for Mayor Gordon the City contributed more than all of the other government entities combined.

Mayor Gordon stated: 1) the proposed tax would allow the City to continue; 2) the City would continue its support of the food banks; and 3) this was a last resort. He noted the food tax had been in place in prior years and had been eliminated when times were good.

Mr. Barry Hess, Phoenix, Arizona, spoke in opposition. He thought it was disturbing those made \$27,000 a year were being asked to pay to save the jobs of those making \$65,000 a year. He thought Police and Fire should face cuts and thanked Mr. DiCiccio for thinking "out of the box" and offering good suggestions. He thought they were in the worst depression which could be imagined and things would get worse. He requested Council vote against the tax.

Mr. Zuercher confirmed for Mayor Gordon the starting salary for City employees at the entry level for jobs such as groundskeepers averaged around \$12 per hour which did not include the cost of benefits. Annualized it was approximately \$24,000 per year. Mayor Gordon requested information from staff on the number of employees in these types of positions.

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Mr. DiCiccio stated the tax payer paid approximately \$100,000 per City employee and that number had come from the Budget and Research Department. He felt picking out one type of job did not address the issue and at some point they had to address structural change in the City. He supported police and fire and noted they were strategic functions of government. He thought they should take a look at some of the other functions of government and reiterated the true cost per employee was \$100,000 per year, per employee.

Ms. Barbara Gonzales, Phoenix, Arizona, spoke in favor. She worked as a 911 operator in the Phoenix Police Department and would vote for anything that would save police and fire jobs. She understood those present were in support of saving emergency personnel, however, she wondered if anyone had been to the call center and had heard the calls and the needs of the citizens. The operators were required to step it up and do whatever was possible to help citizens. The work of the officers was important but she noted the 911 operators were also doing important work. She thought they should do whatever necessary to save those jobs.

Mayor Gordon thought he would lose a quorum at 5:30 p.m. and would try to get as many speakers as possible heard.

Mr. Thomas Constanzo, Phoenix, Arizona, spoke in opposition. He stated this was a bad precedent to set and thought it was a reward for bad ideas.

Mr. Nicholas Brava, Phoenix, Arizona, spoke in opposition. He was unemployed and doing everything possible to take care of himself. He felt there were many people who had lost their jobs. In addition, he thought safety was being used as a buzz word and every individual should be responsible for their own safety.

Mr. Charlie Bowie, Phoenix, Arizona, spoke in favor. He served on the Parks and Recreation Board, but was present as a private citizen. He had seen the results of the budget cuts. Programs that provided after school care and senior centers for those who needed it the most would be cut. He supported the 2 percent tax on groceries and would also be in favor of a 4 percent tax on groceries to be sunset with the annual budget process.

Mr. Paul Barnes, Phoenix, Arizona, was present in favor of the food tax. He represented the neighborhoods and thought the food tax should be delayed until a 4 percent sales tax could be presented. He expressed concern the 2 percent would only bring in \$50 million in revenues and would be short approximately \$90 million to balance the budget.

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Mayor Gordon explained an additional \$12 1/2 million would be added if the 2 percent sales tax was adopted at this time. Mr. Barnes noted if the 4 percent tax were adopted, it would bring an additional \$25 million.

Mayor Gordon understood the Council could pass a larger or reduced percentage, however the 2 percent would allow for an additional \$12 1/2 million.

Mr. Barnes thought it had been his experience that if the 2 percent was passed it would decrease the chances of obtaining a higher percentage of 3 percent or 4 percent. The \$90 million shortfall would cause tremendous cuts in police, fire, and city operations.

City Manager David Cavazos confirmed for Mayor Gordon a 4 percent tax would not enable the City to balance the budget. They would be looking at another \$49 million in additional cuts which were acceptable to the neighborhoods. Taxes would be collected May through July with the 2 percent collection of the food tax for the additional \$12 1/2 million if approved immediately.

Mayor Gordon explained those who did not have the opportunity to speak would be noted for the record. He reminded those present there would also be public hearings regarding the budget.

Ms. Elizabeth Van Wie, Phoenix, Arizona, spoke in opposition. She and her husband were self-employed and had also experienced a reduction in revenues. With four children to feed, the food tax would have a negative affect on her family. She knew taxes were needed as were police officers and firefighters, but she requested the tax on groceries not pass. She thought the tax should be applied to fast food operations or another retail luxury item rather than groceries which were a basic need for a family.

Mayor Gordon explained the City was presently taxing all non-essential items it was allowed to by law.

Ms. Van Wie thought there was also room for an increase to the sales tax.

Increasing the tax was something which could be considered although a balance was necessary so people would not purchase their cars or computers in other Valley cities. Mayor Gordon agreed a level could be reached where there was resistance and they needed to ensure they addressed everyone's concerns. He wished everyone become involved with the State legislature who was responsible for the reduction of income in all the cities. He thought the State should have to face employees who had fought in Iraq and other employees who

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dedicated their time off to help people. No matter what the outcome of the vote, he thought everyone should know there was no one on the Council who wanted to do this and it would be a difficult decision. He wondered if Ms. Van Wie was able to estimate how much she spent on unprepared food for her family. He also noted that dry goods were already taxed.

Ms. Van Wie explained she prepared all of her family's food and estimated she spent between \$900 and \$1,300 per month.

Mayor Gordon pointed out the Census records showed a family of four in the City of Phoenix spent an average of \$1,200 a month on non-taxable food items. If passed, this would translate to approximately \$300 per year in additional tax collected. He also noted the Council would work to minimize the impact of the tax.

Mr. Jay Shelton, Phoenix, Arizona, thought the Fire and Police Departments were included in the General Fund so taxes could be raised with little opposition.

Mr. Cavazos clarified there were three separate funds for public safety and all were under funded by approximately \$48 million.

Ms. Corrinne Widmer, Phoenix, Arizona, spoke in favor. She represented United Food and Commercial Workers (UFCW), and noted their union represented more than 18,000 members across Arizona. The UFCW members worked in Fry's and Safeway stores throughout the Valley and would be impacted directly with the temporary food tax. She expressed support of the City's effort to deal with the budget crisis and noted their members not only worked in Phoenix, but also resided in Phoenix and relied on public programs, public safety, emergency services, libraries, parks, and after school programs. This was a small additional financial burden on working families; however it would also save city services.

Ms. Rae Olk, Phoenix, Arizona, spoke in favor. She worked as a 911 Dispatcher with the City of Phoenix Fire Department. The previous evening at approximately one o'clock in the morning she received a 911 call from a woman who had found her 55 year old husband not breathing. The woman said her husband was dead. Ms. Olk explained how she talked the woman through getting her 6' 5" 250 pound husband on the floor to perform compressions. By the time the woman's husband was on his way to the hospital they had a working rhythm back. She did not know the final outcome of this event, but this was the job she did. She had been a dispatcher for 20 years and made \$22 per hour and felt she had earned every penny of her salary. Referencing Mr. DiCiccio's comments, she did not feel outsourcing would work with a job like dispatching

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and noted she made a lot less than Mr. DiCiccio and she had saved a life the previous evening.

Mr. DiCiccio wanted to address Ms. Olk's comments. He appreciated all the work of City employees and thought it was difficult to be in his seat. Unless the Council looked at the City's labor structure, he thought the problem would never be resolved and they would be faced with the same issues next year. The budget structure had to be dealt with and he was asking it be reviewed to see if there was a better way to do things. He noted there had not been any discussion with regards to privatizing 911 Operators; however, there were functions within the City which needed review for improvement and monetary savings. He knew this was a difficult thing to go through and a decision would have to be made to make cuts to the police, fire, or other functions of government.

Mr. DiCiccio believed in protecting the primary functions of government. He respected the position of others but pointed to statistics which showed unemployment was up as were bankruptcies and foreclosures. The public was having a hard time and he thought this was regressive tax affecting the poor, the working class, and seniors. He believed there was a need for structural change to accomplish the necessary results.

Mr. Johnson requested clarification of the tax before the Council and questioned how the 2 percent figure was arrived at.

Mayor Gordon explained the tax would repeal the exemption on the food tax.

Mr. Verburg advised an exemption to tax on food was created in the 1980s to remove the section which applied to the retail sale of food. He noted this ordinance would remove that exemption. He also noted for Mayor Gordon the 2 percent sales tax had previously been imposed upon goods and services in the City. In answer to Mr. Johnson's question he clarified that removing the exemption would automatically cause the 2 percent tax to return.

Mr. Johnson questioned how the tax could be raised to a higher percentage and also requested clarification of the March 2 and April 2 dates.

Mr. Verburg stated the Council could vote to change the rate under the Model Tax Code. A differential rate for food as compared to other goods being taxed would have to be created.

In response to Mr. Johnson, Mr. Cavazos explained if the tax was adopted at this time, the effective date of the tax would be April 1. The adoption of the budget would occur on March 2.

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Mayor Gordon stated his intent was for the motion to remove the exemption effective April 1, 2010, to allow the process to begin. On March 2nd the amount could be changed or the exemption put back into the ordinance.

Mr. Verburg stated the Council could have an effective date of their choosing. April 1 was recommended to allow administrative convenience.

Mayor Gordon thought this date would allow for meaningful input and for changes to be made at any time through April 1. Additionally, after the public hearings over the next month, there would be an opportunity to discuss whether the tax implemented should be for a 2 percent or a 4 percent tax.

Mr. Verburg stated amendments could be made by the Council at any time before April 2.

Ms. Neely requested clarification of whether the exemption would have to be removed before it was referred to the ballot or whether this could be accomplished by the ballot language. In response to Ms. Neely, Mr. Verburg stated this could be done with the ballot language.

Ms. Neely knew the trial budget had been sobering. The Council was shocked after looking at staff's proposal. She reminded everyone the economy was fragile and she thought a study should be done which would address the impact a food tax would have on the community.

Constituents had contacted her office who were unemployed, underemployed, facing foreclosure, bankrupt, or on fixed incomes, many in opposition. Ms. Neely thought they needed to hear from the community and listen to the community's priorities. The City Manager's trial budget dealt with \$145 million in permanent cuts and \$90 million one-time financing items which they would face again in the following year. She expressed concern the \$50 million the food tax earned would not be enough to take care of the problem and those in support were not addressing next year's \$150 million deficit. She voiced her fear of making the same mistakes the State of Arizona had made.

Ms. Neely thought they needed to be responsible and allow the residents an opportunity to speak. She believed in supporting police and fire and had seen their share of the budget increase from 61.6 percent to 70.1 percent. The budget had to be balanced, however; and she expressed concern with how they were going about that. She did not feel policy should be based on an issue's potential to be repealed. She asked the community be allowed to look at this and express what they wanted, allowing the Council to review their concerns and possibly

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refer it to the ballot. She was not prepared to take any action at this time due to her belief the public should hear this issue before Council moved forward.

Mayor Gordon explained if the tax was not passed at this time, but was adopted with the budget, the community would postpone the tax collection 60 days before the ordinance went into effect and cause the loss of approximately \$12 million. Community input could be heard after today's meeting, but the tax would not be effective or collected until April 1.

Ms. Neely stated the item should have a sunset mechanism if it moved forward, noting she would not be supportive of an indefinite time frame.

Mr. Gates stated he was unclear with regards to the \$12 million. He thought the vote could be taken at any time whether it was March 2 or what was presently before them.

Mayor Gordon clarified the original projections for the food tax was \$50 million. Staff had been asked what the impact would be if this passed earlier and he had been informed taxes collected for the months of May, June, and July would total approximately \$12 1/2 million. Mr. Cavazos advised this equaled \$4.2 million per month.

Mr. Gates thought that this amounted to \$4 million lost if they waited until March 2 which was after the budget hearings. Mayor Gordon agreed the \$12 million was based on an April 1 approval.

Mr. Gates agreed with Ms. Neely this was the beginning of the process and did not agree with passing the food tax with the intent to change their vote if needed. He thought this should not be voted on until everyone had a chance to be heard. This meeting had been rushed and had allowed for 24-hour notification. Staff had gone through a great amount of work to set up the budget hearings over the next few weeks. He thought the Council needed to go through this process. Phoenix had an outstanding record for having an open process, however this item had been rushed and he thought many had not attended due to their inability to get off work on such short notice.

He thought everyone should have the opportunity to be heard before the Council voted. He expressed concern if the food tax passed, there was going to be a lot of frustration by citizens who have not had the opportunity to weight in on a decision. He requested clarification a referendum with the appropriate number of signatures could stay the collection of the tax.

Mr. Verburg verified for Mr. Gates that was correct.

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Mr. Gates expressed concern with the reaction some would have if they did not have an opportunity to be heard. He was committed to public safety, however, he thought this should be an open process.

Mrs. Williams had also been surprised to learn this item had been placed on this agenda. She felt it was easy to talk about the numbers, however, when confronted with the impact your decision had on families, your perspective was different. She questioned if the immediate implementation of a food tax would change the projections and recommendations based on the potential earnings derived from the tax.

Mr. Cavazos stated he had requested a review of the allocations by staff to determine the impact the added revenue from the food tax would bring and how it would be allocated.

Mrs. Williams thought the public would have the opportunity to decide against the food tax or recommend other options if this were implemented immediately. She understood the immediate implementation of the tax was what could be part of the public process and the possible revenues.

A food tax was on the table today and Mrs. Williams would support a temporary tax with a sunset date, to be referred to the voters if continued. She thought this was a beginning of the process and the public's participation in public hearings was essential. The direction the City was going to take would have to be examined by experts to find a better way to conduct business, utilize assets, and examine priorities in the community.

Mr. Mattox questioned the process used to decide on recommending a food tax as opposed to a general tax. He also asked when the exemption had been placed on the food tax.

The last thing they wanted to do would be to increase the tax and have residents shop in neighboring cities because it was less expensive. Mr. Cavazos reminded everyone the food tax had been in place until the early 1980s. He also pointed out that all the cities bordering Phoenix already had a food tax in place. In addition, he explained this was part of the Model Tax Code and as a result it would be easy to implement. This was one of the reasons staff had decided on the food tax option.

Mr. Mattox understood they were limited with regards to the type of tax the City could implement.

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Mr. Cavazos pointed out that discussions had included a tax on services, dry cleaning, professional services, and real estate, which would require the City to go before the Model Tax Code Commission requesting those changes, involving a lengthy process which had not been done in many years.

Mr. Mattox stated he would hold further comments until he knew what the motion would be.

Mr. Simplot questioned what portion of the food tax would be used for transit.

Based on prior allotments, Mr. Zuercher explained the City's transit received approximately 4/10 of a cent which translated to \$10 million per year if \$50 million per year were to be collected.

Mr. Simplot thought \$10 million per year, would eliminate the need to reduce transit operations.

Mr. Zuercher agreed the \$10 million would solidify transit operations.

Mr. Simplot agreed with several of his previous colleagues, this process was just beginning. He believed direction was needed from the Council for this process which was why this item was not included in the City Manager's budget proposal. Several speakers thought this was a regressive tax, however, reducing transit options at a time when it was needed most was one of the worst things that could happen. He thought this gave staff and the public some direction. With 15 public hearings scheduled, he concluded that this was not the end of the process, instead it was the beginning.

Several colleagues had mentioned a sunset date which he agreed with and thought imperative. Mr. Simplot knew this discussion would arise again as the economic climate improved.

The decision made might not be popular, but Mr. Simplot thought it would be the best one for Phoenix. He and his colleagues had received hundreds of calls, and every Council Member had to examine the needs of their district along with the needs of the community. He would be asking for the needs of the City's poor and youth at risk to be addressed and noted everything but the basic needs of the City would be eliminated. He supported the food tax and knew there were many needs which could be tackled in this situation. Individuals supported the City, because they believed in its programs and its employees. He thought caution should be used when throwing numbers out there pertaining to employees making over \$100,000. Employees had recently been yelled and

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screamed at while working in parks and he apologized, noting they were serving the public. Taxes were about public investment. They would be investing in their kids, their seniors, the libraries, parks, and in the future. He thought it was important to bring this tax forward and believed this was a vote for the needs of the community.

Mayor Gordon thanked everyone present and reiterated the tough decisions were not easy. Elected officials had a duty to their constituents and the governmental entity they represented. The federal government and Arizona State government had different issues from the City. The City was required to balance the budget every year and had made cuts throughout the past six years. As services were cut by both the federal and state governments, the City had taken on their responsibilities and he was asking the residents to take some of that burden by paying taxes. The City's infrastructure benefited other cities, and the state which included economic development and infrastructure without restriction. The City was addressing issues, and making difficult cuts. He felt there was a significant difference with how local government approached things as they could not pass their responsibility down to a lower governmental entity. In addition, decisions would be made instead of putting them off, and he thought the tax on food had been a much publicized issue over the past few months and the problems encountered by the City were unprecedented and significant.

Additional revenue had to be created to address these problems and he noted this would not include additional unfunded mandates or other expenses imposed by the state or federal governments. This issue had to be addressed though it was not politically popular to ensure: families would not suffer, there would not be greater issues affecting the poor, and the safety of the citizens. He did not want to see more people laid off, unemployed, families on the rolls, who had been hardworking city employees. Those individuals contributed services which were an added benefit and helped to not add to the rolls. He believed in and valued those who chose to work in the public sector and spent hours giving back; working overtime without pay and volunteering. There were advocates of the private sector who wanted the City to review this. He noted this was not a reflection on anyone instead it concerned hard choices and non-essential services. He believed there was a significant amount of privatization and the City supported those private businesses. He considered privatization as a public/private partnership which the City had been using for years, i.e. solid waste. This allowed citizens to receive the best service at the lowest cost with an efficient and competitive entity.

Concern had been expressed regarding the high salaries paid to public employees and Mayor Gordon explained the surrounding cities paid their fire and police better in every category. Mayor Gordon believed in the saying "you get what you pay for." He thought the City should continue looking at efficiency and

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working with the private sector and felt it was counter productive to get caught up in emotions or rhetoric. With regard to privatization, he pointed out there were many private companies who were dependant on and had a good relationship with the City and he thought it would be a shame to upset that system.

Mayor Gordon stated these times were not easy for anyone and the Council Members had all worked to reduce their budgets and several were committed to return beyond what was required to tax payers. He pointed out that employee donations had not been reduced and last year had maintained and exceeded the donations of previous years to the United Way despite the economy. He felt the Council should proceed on what was in the best interest of the City and not what was popular, because it was the right thing to do. The food tax would create additional revenue however, Mayor Gordon knew things could change due to public input and noted this was not a done deal. He also pointed out the dynamics could change if individuals were ill, were out of town, etc. He noted he would be leaving soon as he had another meeting to attend.

Ms. Neely requested clarification from Mr. Cavazos regarding Mrs. Williams suggestion that Council authorize staff to identify the savings the City could expect for a one through four percent tax and conduct a dialog with the public before a vote was taken on this was a possibility.

Mr. Cavazos explained Mrs. Williams had questioned what the funds from the food tax would be used for. He explained staff; which included Mr. Zuercher, Mr. DeWitt and Ms. Gleason, would return with a recommendation which would be used as part of the public process. In response to Mayor Gordon, he explained the answer to Ms. Neely's question was yes.

MOTION was made by Mr. Nowakowski, **SECONDED** by Mr. Simplot, that Item 1 be adopted, with direction to request the City Manager develop a plan regarding the proceeds for the tax on the food for home consumption and present the plan for discussion on February 9, 2010, noting a sunset date of five years.

Roll Call:	Ayes:	Johnson, Mattox, Simplot, Williams, Vice Mayor Nowakowski, and Mayor Gordon
	Nays:	DiCiccio, Gates, and Neely
	Absent:	None

Mr. Johnson expressed his support of the food tax and explained the inner city was dramatically impacted by budget cuts. Both he and Mr. Nowakowski held budget hearings last year where parents questioned cuts made to parks, recreation programs, senior centers, etc. District 8 had the highest number of

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homeless, prisoner re-entry, registered sex offenders, home foreclosures, job losses, and drop out rates. He thought citizens at last year's budget hearings had been in support of a food tax and he did not expect that to change. He felt this process should continue to move forward allowing citizens an opportunity to comment further.

Mr. Mattox voiced his support and pointed out that public safety had previously been kept out of the budget cuts experienced by the other City departments. Unfortunately, the City could no longer continue to cut the other departments without affecting the public's needs. A certain quality of life was expected from the City of Phoenix; consequently, the alternative was to look at the food tax. The State failed to address their issues, and the City was facing additional funds taken by the State. He also expressed concern that the federal government continued to allow Arizona's boarder to be compromised.

In addition, Mr. Mattox noted, there were quality of life issues and the citizens wanted libraries, parks, etc. All of the departments would receive some of this revenue, not just public safety. He acknowledged there would be additional discussion of this and the item could be reconsidered if necessary. He expressed his support of the two percent.

Ms. Neely disagreed with process and expressed her opposition. She believed the food tax would be necessary, but felt the tax should not be approved with intent to rescind the ordinance if there was opposition. She felt it should be explained that a two percent sales tax would take effect in April and noted that everyone had items in their districts they were losing. This concerned all of the Council districts and she disagreed with the policy being set for the following two reasons: 1) the policy was being set was wrong; and 2) the citizens should have the right to vote on this.

Mrs. Williams supported the motion, however she believed the requested sunset for the tax was too long. She also felt the sales tax should be referred to the voters and emphasized this would bring at most \$50 million which was a long way from resolving the budget problem. This would only be a piece of the solution and she noted the additional money raised by implementing this earlier also did not resolve the budget problems. The solution was going to involve the teamwork of all the employees, management, the Council, and the community to come up with another \$100 to 150 million to see through this year's crisis and she noted that did not include resolving next year's budget.

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Mayor Gordon requested a friendly amendment to the motion allowing the Council to submit a written response explaining their vote which would become a part of the record and placed in the minutes. This allowed the Council to fully explain their position on this significant decision and this would be attached to the record.

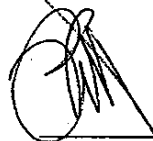
Mayor Gordon questioned the soonest the City could refer this item to the ballot. In response to Mayor Gordon, Mr. Paniagua advised the soonest an election could take place would be on August 24, 2010. The election would be an unscheduled citywide election and cost approximately \$1 million. Mr. Paniagua stated there was a possibility this could be placed on a County ballot.

Per an earlier discussion, Mr. Gates had discussed with Mr. Paniagua the possibility of a piggyback on the County's August 24 election. Mr. Paniagua agreed and pointed out that since the County was already conducting an election county-wide for the state-wide primary, the cost to the City for piggy-backing onto that election would be approximately \$500,000.

MOTION CARRIED. Ordinance adopted.

ADJOURNMENT

There being no further business to come before the Council, Mayor Gordon declared the meeting adjourned.



MAYOR

ATTEST:



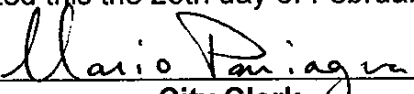
CITY CLERK

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CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the special session of the City Council of the City of Phoenix held on the 2nd day of February, 2010. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this the 25th day of February, 2010.



City Clerk

