



City of Phoenix

Minutes

Meeting Location:
City Council Chambers
200 W. Jefferson St.
Phoenix, Arizona 85003

City Council Policy Session

Tuesday, January 9, 2024

2:30 PM

phoenix.gov

CALL TO ORDER

The Phoenix City Council convened in Policy Session on Tuesday, Jan. 9, 2024, at 2:35 p.m. in the Council Chambers.

Present: 9 - Councilwoman Yassamin Ansari, Councilwoman Betty Guardado, Councilwoman Kesha Hodge Washington, Councilwoman Ann O'Brien, Councilwoman Laura Pastor, Councilman Kevin Robinson, Councilman Jim Waring, Vice Mayor Debra Stark and Mayor Kate Gallego

COUNCIL INFORMATION AND FOLLOW-UP REQUESTS

Councilwoman O'Brien discussed Phoenix's Community Court for homeless individuals with minor offenses and promoted affordable housing legislation. She encouraged following her newsletter for updates.

Councilwoman Ansari discussed a Department of Justice (DOJ)-related community meeting and police reforms. She thanked Chief Assistant City Attorney TJ Martin and Assistant Chief Bryan Chapman for their informative DOJ presentation. She noted the Orpheum Theater's 95th anniversary and outlined District 7's agenda, including neighborhood cleanups, celebrating Phoenix's Sister City relationship with Suwon, South Korea, and Martin Luther King Jr. (MLK) Day events.

Councilwoman Guardado reviewed major 2023 events in her district, including El Grito and the Very Merry Maryvale Celebration, acknowledging community efforts and focusing on 2024's district engagements.

Councilwoman Pastor announced District 4's expansion, welcoming approximately 10,000 new residents. She highlighted an upcoming coffee chat on tree and shade grants and solid waste initiatives and the opening of the first literacy garden at Carl

Hayden High School. She mentioned hosting the United States (U.S.) Health Secretary, Xavier Becerra, at Bioscience High School. She highlighted that the Wall Street Journal recognized Phoenix Sky Harbor Airport as the best airport in the U.S. She also organized neighborhood cleanup for MLK Day, introduced a breast cancer detection initiative for African American women, and highlighted the Light Rail's Northwest Extension Phase 2.

Roll Call and City Clerk Reads 24-Hour Paragraph

CONSENT ACTION

The item is scheduled to allow the City Council to act on the Mayor's recommendations on the Consent Agenda. There is no Consent Agenda for this meeting.

CALL FOR AN EXECUTIVE SESSION

A vote may be held to call an Executive Session for a future date.

REPORTS AND BUDGET UPDATES BY THE CITY MANAGER

This item is scheduled to allow the City Manager to provide brief informational reports on topics of interest to the City Council. The City Council may discuss these reports but no action will be taken.

ORDINANCES, RESOLUTIONS, AND FORMAL ACTION (ITEM 1)

*1 Prevailing Wage (Ordinance G-7217)

Discussion

The City Clerk read the title of the ordinance for this item.

Mayor Gallego introduced Prevailing Wage Ordinance G-7217, recognizing the stakeholder process led by City Manager Jeffrey Barton.

Councilman Waring joined the meeting at 2:47 p.m.

Mr. Barton reviewed the ordinance, highlighting its development and stakeholder engagement. He emphasized its expected effectiveness and connection to the 2023 GO Bond Program. He also recommended to exclude the 2023 Bond Program from the ordinance.

City Engineer Eric Froberg briefed the Council on the history of the ordinance, rooted in the 1931 Davis-Bacon Act principles. He mentioned local prevailing

wage acts and their reliance on federal government wage determinations. He spoke on construction cost implications and compliance logistics, detailing the ordinance's scope.

Budget and Research Director Amber Williamson projected a \$1.4 million annual expense for additional staffing and a \$100,000 one-time cost. She anticipated a yearly \$17 million impact on the Capital Improvement Program (CIP), acknowledging uncertainties in potential future legal expenditure.

Prior to her motion, Councilwoman Guardado voiced support for the ordinance, correlating it with economic growth and community well-being. She emphasized the importance of paying employees a living wage and having a comprehensive approach to ending homelessness. She made the motion to approve the ordinance.

Councilwoman Pastor reflected on the development process of the policy since June 2020, noting the various times the prevailing wage ordinance failed to pass. She expressed her appreciation of staff and stakeholders' collective efforts, and expressed hope for the ordinance's passage.

Councilwoman Ansari praised the ordinance for its role in ensuring fair pay in construction, whether or not represented by a labor union. She highlighted the need for regulatory progress and collaborative efforts.

Councilman Waring asked about the impact of the ordinance on utilities like Southwest Gas and Arizona Public Service Company (APS).

Mr. Barton responded the ordinance applies only to City-led projects, not affecting utility companies.

Councilman Waring noted utility companies employ their own construction workers, implying the ordinance would not impact their wages.

Mr. Barton confirmed Councilman Waring's statement.

Councilman Waring raised concerns about rising costs and potential revenue loss due to recent legislative changes affecting the City's budget.

Mr. Barton estimated an annual impact of approximately \$17 million from the ordinance. He discussed potential cost mitigation strategies, including scaling back Capital Improvement Plan (CIP) lumpsum projects and reallocating staff costs.

Ms. Williamson elaborated the ordinance would not directly affect the General Fund budget, which was affected by state decisions. She specified ongoing operating costs for new positions would be charged to the CIP, impacting capital projects.

Councilman Waring posed reducing \$17 million from five projects could mean either compromised quality or initial cost overestimations. He proposed cost reductions where feasible, even if it resulted in fewer or scaled-back projects.

Mr. Barton acknowledged the estimates were assumption-based, noting actual impacts might differ. He stressed the need for unbiased analysis and cited potential benefits of increased wages like enhanced work quality and reduced injuries. He advocated for consideration of the ordinance's impact, emphasizing thorough evaluation of CIP projects.

Councilman Waring expressed his concerns about indirect costs, acknowledging their effect on CIP projects. He discussed the potential for increased affordable housing costs due to inflation. He anticipated the ordinance's passage, emphasizing the importance of utilities understanding its financial implications.

Councilwoman O'Brien inquired about existing contract terms prohibiting labor broker practices and their enforcement.

Mr. Froberg responded current contracts forbade using labor brokers, noting a lack of enforcement. He stated the new ordinance would reinforce compliance.

Councilwoman O'Brien asked about the penalties for not following the ordinance if it were passed.

Mr. Froberg responded the new ordinance would reinforce compliance. He outlined sanctions in Section 3455, including restitution, liquidated damages, and contract cancellation for repeat offenses, among others.

Councilwoman O'Brien voiced frustration over delayed enforcement of beneficial contract terms. She expressed legal concerns regarding the ordinance, referencing state laws and potential lawsuits. She differentiated prevailing wage from minimum wage and declared her intention to vote against the ordinance to prevent possible legal repercussions.

Vice Mayor Stark appreciated staff's efforts but raised concerns about potential legal expenses from the Arizona General Contractors' possible litigation. She expressed opposition to the ordinance, hoping for future minimum wage discussions in contracts.

Councilwoman Hodge Washington, mentioned her initial opposition to the prevailing wage ordinance due to procedural and substantive issues. She acknowledged procedural resolutions and clarity from the Attorney General's opinion. She stressed the need for continuous, data-driven evaluation of the ordinance's impact.

Mr. Barton suggested a periodic review of the ordinance every 12 to 18 months to assess its effectiveness, mentioning its phased implementation and the possibility of adjusting based on learned experiences.

Mayor Gallego commended Phoenix's commitment to fair wages, referencing the city's \$15 minimum wage and family leave benefits. She thanked everyone involved in the ordinance's development, highlighting its role in securing federal funds and addressed the concerns for litigation, mentioning Attorney General Kris Maye's supportive stance.

Mayor Gallego opened the floor to public comment.

Luke Douglas expressed support for the ordinance, expressing gratitude to the Mayor, Council, City staff, the mediator, and laborers for their work on the ordinance.

Mike Gardner expressed opposition for the ordinance, citing high construction wages, lack of clarity, and legality concerns, favoring a minimum wage approach.

Ironworkers Local 75 Financial Secretary Jason Sangster expressed support for

the ordinance for fair construction wages, tackling homelessness, and boosting the economy.

Josh Umar, executive director of the American Subcontractors Association (ASA) of Arizona, also representing Arizonans for Fair Contracting, expressed opposition to the ordinance due to potential adverse effects on small, minority-owned contractors.

Mark Carter, representing Sheet Metal Works Local #359 and Boilermakers Local 627, expressed support for the ordinance, appreciating the Council and City staff's efforts and its role in creating equitable contractor opportunities and worker benefits.

Ricardo Carlo expressed opposition for the ordinance, focusing on administrative cost concerns for small businesses and potential wage reductions.

Andres Soto, representing IBEW Local 640, expressed support for the ordinance for its benefits to workers, the local economy, safety and contributing to an affordable, thriving city.

Mike Huckins, with Greater Phoenix Chamber, expressed opposition for the ordinance, citing its impact on business bids and increased administrative burdens, especially for small businesses.

Raquel Teran expressed support for the ordinance, highlighting its significance for workers, the City, and underserved communities, and the role of labor unions and community groups in advocating for fair wages.

Aaron Behnke expressed support for the ordinance, emphasizing its importance in recognizing construction workers' unique skills and abilities.

Ricardo Villafan expressed support for the ordinance, highlighting its benefits for the local economy, businesses, tradespeople, and apprentices, and shared his personal experience in the electrical trade.

Theron Conner expressed support for the ordinance for fair construction pay and leveling the playing field, suggesting a \$4 million threshold for greater impact.

Councilwoman Guardado thanked the workers and apprenticeship students for supporting the ordinance, highlighting their courage in speaking out.

Councilwoman Hodge Washington asked about the ordinance's administrative burden and its impact on small and minority businesses.

Mr. Barton explained the \$4 million threshold was intended to alleviate some of the challenges for small and minority-owned businesses.

Prior to her vote, Councilwoman Pastor advocated for the prevailing wage, citing its positive effects at Phoenix Union and expressed her endorsement of the ordinance.

Prior to his vote, Councilman Robinson acknowledged the mixed opinions on prevailing wage, likened it to a fair negotiation with compromise, and conveyed his support for the ordinance.

Mayor Gallego stated Phoenix would be the first City to pass a prevailing wage ordinance in Arizona.

A motion was made by Councilwoman Guardado, seconded by Councilwoman Pastor, that City Council approve staff's recommended plan. The following vote carried the motion:

Yes:	6 - Councilwoman Guardado, Councilwoman Hodge Washington, Councilwoman Pastor, Councilman Robinson, Councilwoman Ansari and Mayor Gallego
No:	3 - Councilwoman O'Brien, Vice Mayor Stark and Councilman Waring

ADJOURN

There being no further business to come before the Council, Mayor Gallego declared the meeting adjourned at 3:58 p.m.