

ROUGHLY EDITED TRANSCRIPT

PHOENIX CITY COUNCIL
FORMAL MEETING
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Next item on the agenda is item number 33, sky harbor t3 modernization one step design build construction contract award.

Is Danny Murphy here?

Do you have a short presentation on this item?

And we have comments by Mr. Nowakowski and DiCiccio.

Do we have any other cards?

>> Thank you, mayor and councilmembers.

I'm Danny Murphy, the aviation director and joining me is Tammy fisher, one of the assistant aviation directors.

Mayor, item 33 is a request to enter into a contract with HuntAustin to provide construction services for the terminal 3 modernization project.

Component one of this project will redevelop the main terminal building consolidate security checkpoints improve ticket counters, baggage carousels and provide new food and beverage locations as well as renew infrastructure such as baggage handling system and mechanical and plumbing systems.

The \$103 million contract is for the first part of component one, for enabling projects including the relocation of airlines, purchase of long lead items, relocation of aviation employees and other construction-related activities.

Mayor, I know there's been a great deal of focus on staff's estimate of the \$1.9 million for the two-week continuance for this particular construction contract that we are talking about today, the \$1.9 million estimate was based on not starting the construction phase of the project on October 1st, and extending it for two weeks until the end of the project in 2020.

I did not do a good job last week in talking with the council and articulating that almost every multiyear project of this nature, in fact, this project will not be completed until 2020, almost all multiyear projects almost always have project delays, some caused by the owner, and some caused by the contractor.

The \$1.9 million is a budgetary estimate of the cost for that two-week delay, and I have every expectation that we will be able to work with the contractor to minimize or possibly eliminate the impact of this delay and the cost of the project.

In fact the aviation staff has already talked with the contractor and they are quite confident that these delay costs can be reduced significantly by finding future design and construction efficiencies and to further optimize the project schedules.

I also appreciate the extra time to provide additional information to some of the councilmembers and the mayor about 9 project and the staff's commitment to manage it with minimal impact to our customers, our airline partners and other business partners during major events such as Super Bowl, holiday season, and other very busy times at the airport.

Almost every day is busy at the airport.

In addition, I know mayor, that you had some concerns and several of the other council people about the aviation director and the executive management team not being located in the new terminal 3.

And the new terminal 3 redesign now includes offices for the director and assistant directors, as well as conference rooms to ensure that there will always be a presence of the executive team readily available to assist customers and make sure that we continue to be America's friendliest airport.

I will be happy to answer any questions you might have, mayor.

>> Mayor Stanton: Thank you very much.

Councilman Nowakowski.

>> M. Nowakowski: Two weeks ago I asked for a continuance and first of all, I want to start off by thanking staff.

I had a list of questions that I wanted answered and they addressed all of those issues and I felt very confident they would be able to.

But these were some concerns that I had regarding security and other issues at the airport.

Seeing that the holiday season is coming around and seeing that we are actually having one of the world's biggest events here in Phoenix, I wanted to make sure that we continue being that safe and friendly airport that sky harbor is known for.

And also, having a \$6 million project, that's -- \$600 million project, that's a lot of money and we want to make sure that being the 10th busiest airport in the country, that nothing is interrupted during that time.

During the last two weeks, there's been a lot of people accusing that I wasn't giving out details of why I was delaying our asking for a continuance, and basically, it's really simple.

It's about safety.

It's the safety of our airport.

You know, over the last year or so, and being the chairperson of the public safety subcommittee, hearing about an individual sitting in one of our Starbucks with a machine gun concerns me.

Having a woman drive up into one of our runways concerns me.

Just last month, this was an individual that was running through our airport and we had to actually close down the terminal for a while.

So all of those incidents concern me about the safety and basically, also moving some of our staff out of that third terminal concern me also.

So after sitting down and addressing some of those issues with their staff and I feel very comfortable.

I feel very comfortable that we should be moving on with this, but saying all of

this, this whole thing was about safety.

It's about making sure that \$600 million project that's a lot of money over six years, that it's a long construction period of time, that we answer all of those questions and that everyone on this council feels comfortable in voting for such a large amount of money.

Now, it's been stated many times, many times that it's costing the city of Phoenix taxpayers \$1.9 million in tax revenue.

I know that you clarified it, but I want to go a little bit more in detail.

We have talked about the \$1,170,000 in the design team costs and this is the could have for the members of hunt and Austin joint venture team, as well as the general contractor for trailers, supplies, and vehicles and all of that.

So my question to you is have the 1 -- let's round it out to \$1.2 million expenses to be paid out, these would have been paid out regardless of the delay or not, right?

>> Mayor and Councilman Nowakowski, those figures will be paid out as the project continues to move forward.

>> M. Nowakowski: But, I mean, there's not going to be an additional 1 point -- that \$1.2 million.

That was something that was budgeted in that larger projection, right?

>> Mayor and Nowakowski, we are going to work very hard to eliminate those costs.

There will be other costs because of the delay, but we are going to work really hard and, again, as I stated in my earlier comments, we have already worked with the contractor and we are confident that we are going to be able to minimize those costs over these next years.

>> M. Nowakowski: Another question is what you are calling costs, I really believe that it's -- what I would be calling delays, and it would have been a cost that we would have actually paid out anyways.

I don't think we will be increasing the \$6 million -- \$600 million project and our bucket in this project by \$1.9 million or anything like that.

Is that true or not?

>> Yes, mayor and Councilman Nowakowski, I think we are going to work very hard with the contractor to ensure that those costs are minimized and I'm very hopeful that we can eliminate additional costs, working through the project.

Ms. Fisher and our project management teams on the project are very focused on that, and so I'm -- I'm very confident that we are going to be able to do that over these next few years.

>> M. Nowakowski: Danny, the other thing too is I heard that this is going to be about \$168,000 extra costs for our city staff working on this project because of the delay.

Is that right?

>> Mayor and council Nowakowski, those were our best estimates of staff time and overhead of people working on the project, and, again, the basis of the \$1.9 million was a two-week extension if we weren't -- if we didn't start on October 1st but continuing it until 2020 so people who would be charging time during that period, if we are unable to make up the time, which I'm confident that we will work very hard to try to minimize, as much as possible, it would be an -- it would be a cost if we worked two extra weeks on the project.

>> M. Nowakowski: My thing is going back on the \$168,000 that are going towards city staff, were those city staff members hired just for this project and that they are actually sitting in an office for two weeks with no assignment or were they existing city staff members that already had existing jobs and duties?

>> Mayor and Councilman Nowakowski, no one sits at the airport and does nothing.

We don't allow that.

So everyone is quite busy.

But those are staff -- for instance, that includes some of my time, mayor and Councilman Nowakowski as the director, a portion of my overhead is charged to that project and so if the project continued for two weeks longer than we had scheduled an additional portion of my time would have gone to that project that that period of time.

That's why we will work very hard to reduce that time so that in 2020, there won't be additional costs for that.

>> M. Nowakowski: But what I want to make sure that people out there know that we have staff members out there that have other responsibilities, other jobs out there that they are not just sitting there and we are paying people out that want \$168,000 that they are not -- that they actually do have other responsibilities.

>> Thank you.

Thank you mayor and Councilman Nowakowski.

They are continuing to work on other things while we are getting ready to move forward on this project.

>> M. Nowakowski: The other thing that was brought to my attention was the \$562,000 that was the escalating costs that reflects the cost of labor, materials, and the project result of the delay.

So my question is, because of all of this, we delayed the purchasing for two weeks.

That's where we get a little over half a million dollars of expenses, right?

>> Mayor and Councilman Nowakowski, that's correct.

>> M. Nowakowski: You don't believe we would make up this money within the next six years.

>> Mayor and Councilman Nowakowski, I'm very confident that we will work very hard and we have the commitment of the contractor to minimize these costs, all of the costs that you described as much as possible.

Our goal is to eliminate those, and work very hard on adjusting schedules and maybe overlapping things that we had not anticipated and so I'm confident that we are going to be able to minimize that as much as possible.

You have my assurance that we will work very hard to do that.

>> M. Nowakowski: Danny, the cost for the extra labor and materials and all of that, that's really an industry type of formula to forecast in the next years or so.

It's not something that we as the city of Phoenix created.

It's an industry formula, right?

>> Mayor and Councilman Nowakowski, yes, it's a number that through analysis

is produced, that probably very common in the industry.

>> M. Nowakowski: So it's safe to say these are projections and not actuals?

>> Mayor and Councilman Nowakowski, they are all estimates.

>> M. Nowakowski: Because two weeks ago, there was about \$3.25 and this morning I was hearing on the news the gas is at \$2.99 in some places.

So the cost of gas actually went down.

So this estimate can actually go down instead of go up in six years in the cost of lumber, steel, cement and all of that happens to turn around?

So these are all just projections and estimates?

>> That is correct.

>> M. Nowakowski: My opinion.

>> Yes, sir.

>> M. Nowakowski: Know, lastly, I want to clarify that no tax dollars or no tax revenue is being used for this project, is that correct?

>> Yes, mayor and Councilman Nowakowski, thank you for making that clear.

These are -- these are fees from the airport.

This is airport revenue funds.

So there are no taxpayer dollars involved with this project or any project at the airport system.

>> M. Nowakowski: So the statements out there that we as a council are the five individuals that actually voted to continue it, are actually out there wasting tax dollars, it's not a true statement at this time, right, in your opinion?

>> Mayor and Councilman Nowakowski, yes, these are based on revenues and fees charged at the airport.

>> M. Nowakowski: I want to thank our staff for their hard work in answering all of those questions.

Sitting here as a councilmember, we all have to be good stewards of our tax

dollars, that each individual, every time they buy a product or something in the city of Phoenix, actually put into the general fund and at the same time we good stewards of our airport funds that they have out there and these are coming from the airport funds and I just wanted to make sure that everyone knows that it's not tax revenue based.

It's actually coming from our airport and the other thing is this whole thing was about safety.

Making sure that our airport is safe, making sure that the transition was without any hiccups or any delays and that we have the Super Bowl coming into the city of Phoenix and that we need to make sure that everyone walking through that airport has that same experience as everyone else, that it's the friendliest and the best run airport in the country and have all the faith in our staff that it will continue to be the awesome airport that we have today.

So thank you so much.

And I will be voting yes on this item.

>> Thank you.

>> Mayor Stanton: Thank you very much.

Councilman DiCiccio you had comments?

>> S. DiCiccio: I do.

Just one point of clarification on tax dollars and who owns the airport.

>> Mayor and Councilman DiCiccio.

The city of Phoenix owns the aviation system.

>> S. DiCiccio: Who is the city of Phoenix, the taxpayers, right?

>> Yes, councilman.

>> S. DiCiccio: So when you talk about tax dollars you mean general fund dollars.

They are owned by the taxpayer, right?

Fees are just another way to tax the public.

I mean realistically the taxpayer owns the airport.

They pay for it.

>> Mayor and Councilman DiCiccio, of course the city of Phoenix owns the airport system.

We refer to these as fees.

These are fees and revenues generated at the airport, not general fund tax dollars.

>> S. DiCiccio: General fund tax dollars.

Let's say you take -- I want to make sure that we get this clear because, you know, you've got to make sure that you are on the arrow, on point on this one.

When you collect fees from the park system, fees for softball, are those tax dollars are those something else?

>> Mayor and councilman, DiCiccio, I would have to defer to the city manager or the parks director.

I'm not aware of --

>> S. DiCiccio: You are talking about general fund dollars versus enterprise funds.

>> City Mgr. Zuercher: We generally distinguish fees are paid by people who use specific services.

Some fees go to the general fund like as you mentioned softball or swimming or soccer.

In the case of the airport, the fees -- so people pay for parking.

That would be a fee for parking for someone who used the parking and by federal law that has to stay in the airport.

So 9 fees can either be general fund or an enterprise fund.

>> S. DiCiccio: Okay.

But there's a bigger issue that I will address here today and no disrespect to

anyone up here at all, and this is more directed toward the mayor as the leader of the city.

You have a responsibility to be up front with the public and to not support maneuvers that accomplish these goals, your goals behind closed doors at the expense of the public.

What I am deeply disturbed by is the subterfuge that you had a hand in on this, especially the project that's \$103 million, one of the biggest economic development drivers in the city of Phoenix.

Whether we can debate the \$1.9 million, whether it's a savings or not, I mean, it's still an expense that eventually you will have to recover.

And any savings you create, you are going to take it from that.

So it's still additional monies from the taxpayers.

The problem that we have seen, we have seen these delays before and we have seen threats of the disapprovals on routine matters, before delays that serve only to help the unions and pressure employers.

The law does not require union labor in state of Arizona.

We are a right to work state.

There's a fair and open system that allows subcontractors both union and nonunion to bid for work.

If you think that the law should require union shop should be selected, that's a legitimate position and one I strongly disagree with but a legitimate position.

And in that case, let's start having a dialogue of whether or not we should allow union work to be done on our contracts.

I mean, or require union work on our contracts.

If you believe that unionized contracting should be forced on to the private sector, please have the courage to say so and let's have that debate.

But don't simply do the union bidding behind the scenes and then send the taxpayer the bill.

At least be up front with the public, the public deserved open and transparency on our bidding process.

So if we are going to require unions to do union work, and require this upon the private sector, private sector contractors, then be up front and let's have that debate.

I think that is a legitimate debate for us to have, mayor and I believe you ought to schedule that at the next council meeting, schedule it when you want to, but it needs to be done up front and in a transparent way and we need to have a thorough discussion and debate on this issue instead of going behind closed doors at all times.

Thank you mayor.

>> Mayor Stanton: Vice mayor do you have a motion.

>> Vice Mayor Waring: I did.

>> Mayor Stanton: The motion.

>> Vice Mayor Waring: I move approval of item 33.

>> B. Gates: Second.

>> Mayor Stanton: Motion and ail second.

Vice Mayor.

>> Vice Mayor Waring: Where did the dollars come from that run the airport some what is the major course of funds?

>> Mayor and Councilman Waring, the funds come from the revenue generated at the airport, parking is a large component of that, and obviously our airline partners and concessions and the revenues at the airport.

>> Vice Mayor Waring: I thought I would follow up on something that Councilman DiCiccio.

It's a question whether it's tax dollar it's at the airport and then a good chunk of the revenue comes from parking which are paid by the visitors or the citizens would pay to pick people up.

It's taxpayers paying dollars, the less we can charge them, the better.

The airlines obviously they don't do it out of the goodness of their heart.

So when we increase their fees owe we waste money that comes from them, they don't just willingly eat that.

They pass that along to consumers and some of those consumers, I think live in my district, in district 2 and so it is tax dollars.

We owe it.

That's why we are up here, is to make sure that the money is being spent efficiently.

So we get into this whether it's tax dollars or not.

It's definitely coming from taxpayers and we need to be cognizant of that.

We are the ones -- I guess I voted against it.

So five of us decided to lay this project.

You are saying it will cost some money.

I don't know what we got for those two weeks.

I didn't see anything tangible.

I see some contractors out in the audience.

I know mark mentor who was quoted in the paper today as a constituent of mine.

I have known him for many years.

They just want to work.

We have kind of an up and down economy right now.

We discussed that at the last meeting or the meeting before, certainly at the policy meetings.

It gets frustrating any time we do something that doesn't seem efficient or effective.

Again, you guys brought a plan forward.

My first meeting with you about this, we checked.

It was March 26th of 2013.

So it was 18 months ago.

Big articles in the paper about this.

I thought they did a nice job covering the issue before we had this issue and it's just unfortunate that things get delayed a little bit.

I wanted to address the issue of whether it's tax dollars or not.

If you are watching at home, unless you never, ever go to the airport and really don't have any family members or anybody going to the airport, which I suspect is basically nobody who lives in Phoenix, your footing the bill for some of this, whether it's \$500,000, or \$125,000, or \$1.9 million, you know, we delayed something for a couple of weeks when the project, it sounds like could have gotten up and running and everything and that was the source of frustration for some of us.

Now it sounds like at least one vote is twitched.

So it's going to be at least 5-4 in favor and we will get going.

I hope you can make up the difference.

I think we owe it to taxpayers to try, but it was a source of frustration.

I think some of that it pulled out in the paper and I think the contractors highlighted that and I think it was important that they did so.

>> Mayor Stanton: Roll call.

>> Clerk: Councilman DiCiccio.

>> S. DiCiccio: Yes.

>> Clerk: Councilwoman Gallego.

>> K. Gallego: Yes.

>> Clerk: Vice Mayor Gates.

>> Vice Mayor Gates: Yes.

>> Clerk: Councilman Nowakowski.

>> M.Nowakowski: Yes.

>> Clerk: Councilwoman Pastor.

>> L. Pastor: I have a comment.

>> Mayor Stanton: Please.

>> Clerk: Councilwoman Pastor.

>> L. Pastor: So Danny, I really like to thank you for all of your service.

And this is one of your last meetings.

So I don't know if -- this is the last meeting, but I would like to thank you for everything you have done and all the service.

My vote is yes.

>> Mayor Stanton: Thank you very much.

Very classy thing to say.

>> Clerk: Councilman Valenzuela.

>> D. Valenzuela: Yes.

>> Clerk: Councilwoman Williams.

>> T. Williams: I will echo what was just said.

Danny is the best.

And you have done so much for the city of Phoenix and for that airport.

I can't say enough good things about you.

I wish you have the very, very best and I'm sorry to see you go.

Yes.

>> Danny Murphy is the best, right?

I have been waiting for Thelda to say this.

>> T. Williams: I'm sorry, I'm talking to Danny Murphy.

>> Okay.

I'm still waiting.

>> Clerk: Vice Mayor Waring.

>> Vice Mayor Waring: I would have said something myself.

I knew but I didn't know if you had made that public.

But we haven't always agreed on the issues but I enjoyed working with you very much.

It's a big loss for the city.

And certainly my commends here were not directed to you at all, as I think you know.

You announced your retirement, and that's probably why you look so pleased.

Aye.

>> Clerk: Mayor Stanton.

>> Mayor Stanton: I speak on behalf of everyone, Danny Murphy is one of the most well respected airport directors in the United States of America.

He has the job offers from other large airports to show for it and a great leader of the airport and great leaders not only cultivate followers but more importantly they cultivate other great leaders and I know you leave one of your legacies will be the leadership team that you are leaving behind at sky harbor airport.

It's a sad day in terms of decision that you have made but we can't say anything but wonderful things about your leadership.

So I vote aye.

The motion carries.