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## Minutes of MAYOR AND COUNCIL Meeting

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Approved by Mayor and Council  
on May 17, 2011.

Date of Meeting: January 4, 2011

The Mayor and Council of the City of Tucson met in regular session in the Mayor and Council Chambers in City Hall, 255 West Alameda Street, Tucson, Arizona, at 5:36 p.m., on Tuesday, January 4, 2011, all members having been notified of the time and place thereof.

### 1. ROLL CALL

The meeting was called to order by Mayor Walkup and upon roll call, those present and absent were:

Present:

Regina Romero	Council Member Ward 1
Paul Cunningham	Council Member Ward 2
Karin Uhlich	Council Member Ward 3
Shirley C. Scott	Council Member Ward 4
Richard G. Fimbres	Vice Mayor, Council Member Ward 5
Steve Kozachik	Council Member Ward 6
Robert E. Walkup	Mayor

Absent/Excused:

None

Staff Members Present:

Mike Letcher	City Manager
Michael Rankin	City Attorney
Roger W. Randolph	City Clerk

## **2. INVOCATION AND PLEDGE OF ALLEGIANCE**

The invocation was given by Draigg Phillips, City Clerk's Office, after which the Pledge of Allegiance was presented by the entire assembly.

Presentations:

- a. Mayor Walkup, assisted by Council Member Kozachik, presented John C. Scott and Jesse Lugo with Certificates of Appreciation for their fundraising efforts that provided bicycles to over 5,000 children in the community.

## **3. MAYOR AND COUNCIL REPORT: SUMMARY OF CURRENT EVENTS**

Mayor Walkup announced City Manager's communication number 1, dated January 4, 2011, was received into and made part of the record. He also announced this was the time scheduled to allow members of the Mayor and Council to report on current events and asked if there were any reports.

- a. Council Member Romero invited the public to a graffiti abatement event sponsored by the Ward 1 Council Office, Graffiti Protective Coatings, and local businesses along South Twelfth Avenue. She also announced it was her daughter's first birthday.
- b. Council Member Cunningham wished everyone in the community a Happy New Year.
- c. Vice Mayor Fimbres invited the public to attend Pueblo Garden's 21<sup>st</sup> Annual Martin Luther King, Jr. Breakfast, and also the 26<sup>th</sup> Annual Martin Luther King, Jr. Day March and Festival.
- d. Council Member Kozachik invited the public to participate in the following events; inaugural "kickoff" meeting for local film-makers, the first meeting of a group called "No Labels", and an assistance funding program benefiting Joe Cavaleri, the University of Arizona's "Ooh-Aah-Man".

## **4. CITY MANAGER'S REPORT: SUMMARY OF CURRENT EVENTS**

Mayor Walkup announced City Manager's communication number 2, dated January 4, 2011, was received into and made part of the record. He also announced this was the time scheduled to allow the City Manager to report on current events, and asked for that report.

No report was given.

**5. LIQUOR LICENSE APPLICATIONS**

Mayor Walkup announced City Manager's communication number 3, dated January 4, 2011, was received into and made part of the record. He asked the City Clerk to read the Liquor License Agenda.

b. Liquor License Application(s)

New License(s)

1. CeeDee Jamaican Kitchen, Ward 6  
1070 N. Swan Rd.  
Applicant: Deon Wayne Harrison  
Series 12, City 104-10  
Action must be taken by: December 19, 2010

Staff has indicated the applicant is in compliance with city requirements.

2. Wal-Mart Store #1325, Ward 3  
455 E. Wetmore Rd.  
Applicant: Clare Hollie Abel  
Series 9, City 116-10  
Action must be taken by: January 10, 2011

Staff has indicated the applicant is in compliance with city requirements.

This item was considered separately at the request of Council Member Uhlich.

NOTE: State law provides that for a new license application, "In all proceedings before the governing body of a city...the applicant bears the burden of showing that the public convenience requires and that the best interest of the community will be substantially served by the issuance of a license". (A.R.S. Section 4-201)

Person Transfer

3. Residence Inn by Marriott, Ward 2  
6477 E. Speedway Blvd.  
Applicant: Bridget Sue Bloom  
Series 7, City 117-10  
Action must be taken by: January 8, 2011

Staff has indicated the applicant is in compliance with city requirements.

4. Perky's, Ward 6  
5769 E. Speedway Blvd.  
Applicant: Richard Jaret McClelland  
Series 6, City 118-10  
Action must be taken by: January 10, 2011

Staff has indicated the applicant is in compliance with city requirements.

Public Opinion: Written Arguments Opposed Filed

This item was considered separately.

NOTE: State law provides that for a person to person transfer, Mayor and Council may consider the applicant's capability, qualifications, and reliability. (A.R.S. Section 4-203)

c. Special Event(s)

1. Tucson Sunshine Kiwanis Club, Ward 2  
2959 N. Swan Rd.  
Applicant: Lon Thomas Wirtz  
City T118-10  
Date of Event: January 23, 2011  
(Fundraiser)

Staff has indicated the applicant is in compliance with city requirements.

2. March of Dimes, Ward 3  
313 W. Sahuaro St.  
Applicant: Chris M. Huyett  
City T120-10  
Date of Event: January 22, 2011  
(Fundraiser)

Staff has indicated the applicant is in compliance with city requirements.

3. Industria Studios, Inc., Ward 5  
1441 E. 17th St.  
Applicant: Marjory Rutherford Johnsen  
City T121-10  
Date of Event: January 22, 2011  
(Fundraising)

Staff has indicated the applicant is in compliance with city requirements.

d. Agent Change/Acquisition of Control

NOTE: There are no agent change(s) scheduled for this meeting.

It was moved by Council Member Kozachik, duly seconded, and carried by a voice vote of 7 to 0, to forward liquor license applications 5b1, 5b3, and 5c1 through 5c3 to the Arizona State Liquor Board with a recommendation for approval.

## 5. LIQUOR LICENSE APPLICATIONS

### b. Liquor License Application(s)

#### New License(s)

2. Wal-Mart Store #1325, Ward 3  
455 E. Wetmore Rd.  
Applicant: Clare Hollie Abel  
Series 9, City 116-10  
Action must be taken by: January 10, 2011

Staff has indicated the applicant is in compliance with city requirements.

Roger W. Randolph, City Clerk, announced the first item to be considered separately was Item 5b2, Wal-Mart Store #1325, located in Ward 3.

Council Member Uhlich asked if a representative of the Wal-Mart Store was present. She explained the reason the application was pulled for separate consideration. She stated she did not believe her office was contacted, which was the typical process, to ensure that area residents and businesses were made aware of the application.

Clare Abel stated she was the representative for the Wal-Mart Store. She replied she thought she sent an email through the Ward 3 website, and said she would follow up on it. She also proceeded to give background information on the store and what was currently being done as far as the Series 9 liquor license. The store was scheduled for remodeling by the end of the year.

Council Member Uhlich stated she met with representatives of Wal-Mart regarding the remodeling and thought it was a great plan, but in many respects, the plan mitigated some of the concerns about saturation in the area. She said she wanted the opportunity to discuss that with the representative.

Council Member Uhlich said she would leave it to the representative to decide whether they preferred to continue the application or have it forwarded with a recommendation of denial since she did not have the opportunity to discuss the application with the representative.

Ms. Abel stated they always liked to work with the Council representatives, but was not sure they could do anything about the location except to say that it was on a major thoroughfare and the idea was to keep commercial uses on major thoroughfares, which was one of the reasons there was a saturation of liquor licenses within a small area.

Ms. Abel advised Council Member Uhlich that, from her discussions about the proposed Wal-Mart remodeling, she was probably aware that it would be more of a grocery store type of feel when the remodeling was complete, and in order to compete with grocery stores, they had to offer a full array of products that included full liquor

instead of just beer and wine. She said if Council Member Uhlich wished to meet with them, they would be happy to do that.

Council Member Uhlich commented that her recommendation, was based on saturation, and would be reviewed by the Arizona State Liquor Board. She said it was something she wanted the Arizona State Liquor Board to consider because she thought the onus was on the applicant to demonstrate the need for the public's convenience and to address the saturation issues.

It was moved by Council Member Uhlich, duly seconded, to forward liquor license application 5b2 to the Arizona State Liquor Board with a recommendation for denial.

Ms. Abel asked for clarification on whether or not Council Member Uhlich wanted to have an opportunity to meet with them.

Council Member Uhlich explained that typically the process was for them to have the opportunity to meet with the applicant or representative. However, given the saturation concerns that she had and the lack of dialogue and contact with her office, she was recommending denial of the application.

Ms. Abel advised Council Member Uhlich that she was offering to meet with her at her convenience, and said she was a little confused. Again she asked if Council Member Uhlich wanted to meet with her.

Council Member Uhlich replied she was not sure what the timeline was for processing the application but had heard several things that did not reinforce her comfort level with approving it. She said the fact that there were no denials filed could very well be because her office typically was the conduit for information to the neighborhoods and area residents. She stated it was the responsibility of the applicant to engage with the City and there was no communication on record. She said because of saturation issues, she could not see supporting the application and advised Ms. Abel that the application would be forwarded to the Arizona State Liquor Board for further action and consideration.

Mayor Walkup asked if there was a second to the motion.

Council Member Scott stated she had a question. She asked the City Attorney if he had any comments on the motion.

Michael Rankin, City Attorney, stated that one of the things the Mayor and Council were up against was the time frame in which the Council had to make a recommendation. He referred to materials in the Mayor and Council's packet that action had to occur by January 10, 2011. He said due to scheduled meetings, this would be the last opportunity for the Mayor and Council to consider the application.

Council Member Kozachik pointed out that the following application was for Perky's, and the sixty-day limit for processing the application was also January 10th. He

asked if there was a reason why the Council consistently received applications with insufficient time to extend a dialogue. He was concerned that the Council would have to make a decision on the application without having had the opportunity for further conversation.

Mr. Randolph explained that part of the reason for the two liquor license applications coming in at such a late date was because of the lack of meetings which were missed, resulting in not having an opportunity to bring those applications forward. He added that a lot predicated on the requirements under State law as far as posting of notices and filing of arguments, along with the sixty-day time limit. He said it was a very tight time constraint to begin with.

Mayor Walkup asked if there was any further discussion.

Council Member Scott asked if it was appropriate to think that saturation was going to be sufficient enough for the Arizona State Liquor Board to consider it as a viable negative. She said the Arizona State Liquor Board had expressed issues with the City Council based on reasoning of denial.

Mr. Rankin replied it was a legitimate criterion to base their recommendation on. He added that whether ultimately the recommendation of the Mayor and Council was upheld or not, was up to the Arizona State Liquor Board.

Council Member Uhlich referred to one illustration at Speedway and Swan, where there were three Series 9 liquor licenses within a one mile radius, and already at the Wal-Mart intersection, there were seven, stating Speedway and Swan was a major intersection which seemed to be doing fine with a much lower level of saturation.

Council Member Scott thanked Council Member Uhlich for that further information, and said it was helpful to have all the details.

The motion to forward liquor license application 5b2 to the Arizona State Liquor Board with a recommendation for denial was carried by a voice vote of 7 to 0.

## **5. LIQUOR LICENSE APPLICATIONS**

### **b. Liquor License Application(s)**

#### **Person Transfer(s)**

4. Perky's, Ward 6  
5769 E. Speedway Blvd.  
Applicant: Richard Jaret McClelland  
Series 6, City 118-10  
Action must be taken by: January 10, 2011

Staff has indicated the applicant is in compliance with city requirements.

Public Opinion: Written Arguments Opposed Filed

Roger W. Randolph, City Clerk, announced the final item to be considered separately was Item 5b4, Perky's, located in Ward 6.

Council Member Kozachik asked if either Mr. Smith or Mr. Wilhite were present, stating they were the two gentlemen who wrote the letters of protest. There was no one.

Council Member Kozachik asked if the applicant or representative was present.

Thomas Aguilera, representing the applicant, stated the applicants were present to answer any questions. He added they indicated early on what they were doing, and explained they were taking the current Series 6 license and doing a lot of rehabilitation to the building. He said they took note of issues raised in the letters, which were issues with noise, issues associated with the type of bar, the last ownership, etc.

Mr. Aguilera added that the applicants were in attendance and could address the issues raised in the letter. He said the application was a person to person transfer and they were highly cognizant of the location issues. Mr. Aguilera said that even though those issues were not before the Council, it was important for the neighbors and the business, if they were to succeed, to reach out to the neighborhood, especially the protestors.

Council Member Kozachik said he just wanted to lay the ground work, because he read the letters and knew there had been some earlier dialogue. He said some of the questions were along the lines of how the business was once a biker bar. He said he understood the applicants were now changing the format to more of a sports bar. He asked the applicants to address steps taken to mitigate concerns raised in the letters of protest.

Richard McClelland, the applicant, along with his brother, said they had spoken with many people who were concerned. They were interested in setting up a business at the location that took the neighborhood into account. They wanted the business to be something the neighborhood would be proud of. He added the neighborhood had concerns about noise issues, and management allowing customers to travel in and out of the back door. He explained some of the changes that would occur such as making the back door a fire exit only, replacing all the doors so that they sealed properly and institute a dressed code.

Mr. McClelland spoke about his experience, and said he and his brother have been trained by the Arizona State Liquor Board, and they have been running restaurant bars for a long time. They hoped to make the business something the neighborhood could be proud of. Mr. McClelland also talked about their plans to resolve some of the sound issues and changing the name of the sports bar.

It was moved by Council Member Kozachik, duly seconded, and carried by a voice vote of 7 to 0, to forward liquor license application 5b4 to the Arizona State Liquor Board with a recommendation for approval.

**6. CALL TO THE AUDIENCE**

Mayor Walkup announced this was the time any member of the public was allowed to address the Mayor and Council on any issue except for items scheduled for a public hearing. Speakers were limited to three-minute presentations and the call to the audience would last no more than thirty minutes.

- a. Keith Van Heyningen spoke about the financial issues faced by the City.
- b. Ken Scoville spoke as an advocate for historical assessment of preserving City buildings and sustainable development, graffiti abatement of City owned properties, and the proposed demolition of the vacant police substation on Prince Road.

Council Member Uhlich asked the City Manager to look into the three issues raised by Mr. Scoville and asked they he respond by memo.

- c. Robert Reus spoke about his petition drive to change the City of Tucson’s City Manager form of government.
- d. Lisa Bowden gave the fifteenth installment of “*Tucson, The Novel: An Experiment in Civil Discourse and Literature*” written by Shannon Cain.
- e. Ken Johnson spoke about problems with attendance at American Legion events.
- f. Edward Messing, Bear Canyon Neighborhood Association President, thanked the Mayor and Council for their decision to limit budget cuts to the Tucson Fire Department.
- g. Mikki Niemi spoke about the Central Arizona Project (CAP) and the need for the City to conserve water.

Council Member Romero asked the City Manager to provide the City and County’s Water Policy to Mr. Niemi.

- h. Joe Sweeney urged the Mayor and Council to address the problems with illegal aliens in the community and commented on 287(g) funding.

**7. CONSENT AGENDA – ITEMS A THROUGH E**

Mayor Walkup announced the reports and recommendations from the City Manager on the Consent Agenda were received into and made part of the record. He asked the City Clerk to read the Consent Agenda.

- a. TRANSPORTATION: ACQUISITION OF EASEMENTS FOR THE HOUGHTON ROAD CORRIDOR PROJECT

1. Report from City Manager JAN04-11-5 WARD 4
  2. Resolution No. 21670 relating to transportation; authorizing the City Manager to acquire by negotiation, and the City Attorney to condemn if necessary, certain easements in real property needed for the Houghton Road Corridor Project between Irvington Road and Valencia Road; and declaring an emergency.
- b. INTERGOVERNMENTAL AGREEMENT AMENDMENT: WITH PIMA COUNTY FOR IMPROVEMENTS TO TANQUE VERDE ROAD FROM CATALINA HIGHWAY TO HOUGHTON ROAD
1. Report from City Manager JAN04-11-7 WARD 2
  2. Resolution No. 21672 relating to Intergovernmental Agreements; authorizing and approving Amendment No. 1 to Intergovernmental Agreement between the City of Tucson and Pima County for improvements to Tanque Verde Road from Catalina Highway to Houghton Road; and declaring an emergency.
- c. APPROVAL OF MINUTES
1. Report from City Manager JAN04-11-9 CITY WIDE
  2. Mayor and Council Regular Meeting Minutes of September 21, 2010
- d. INTERGOVERNMENTAL AGREEMENT: WITH PIMA COUNTY FOR SEWER BILLING SERVICES, FISCAL YEARS 2011 THROUGH 2013
1. Report from City Manager JAN04-11-10 CITY WIDE AND OUTSIDE CITY
  2. Resolution No. 21675 relating to water; authorizing and approving the Intergovernmental Agreement between Pima County and the City of Tucson for Sewer Billing Services; and declaring an emergency.

(This item was considered separately at the request of Council Member Uhlich.)

- e. FINANCE: APPROVAL OF THE COMPREHENSIVE FINANCIAL POLICIES
1. Report from City Manager JAN04-11-12 CITY WIDE
  2. Resolution No. 21676 relating to Finance; approving the comprehensive Financial Polices for the City of Tucson as recommended by the Government Finance Officers Association; and declaring an emergency.

(This item was considered separately at the request of Council Member Kozachik.)

It was moved by Council Member Romero, duly seconded, and passed by a roll call vote of 7 to 0, that Consent Agenda Items a – e, with the exception of Items d and e, which were considered separately, be passed and adopted and the proper action taken.

**7. CONSENT AGENDA – ITEM D**

**d. INTERGOVERNMENTAL AGREEMENT: WITH PIMA COUNTY FOR SEWER BILLING SERVICES, FISCAL YEARS 2011 THROUGH 2013**

1. Report from City Manager JAN04-11-10 CITY WIDE AND OUTSIDE CITY
2. Resolution No. 21675 relating to water; authorizing and approving the Intergovernmental Agreement between Pima County and the City of Tucson for Sewer Billing Services; and declaring an emergency.

Roger W. Randolph, City Clerk, announced the first item to be considered separately was Consent Agenda Item d, at the request of Council Member Uhlich.

Council Member Uhlich said she was concerned about the arrangement and whether or not in was fair in terms of Pima County’s share vs. the City of Tucson’s share. She wanted staff’s perspective on why the City’s fee would be reduced in the coming cycle and whether or not a fifty-fifty split could be a benefit to both entities.

Andrew Quigley, Tucson Water Interim Director, stated the agreement was based on several factors that helped determine what the split would be; revenue and accounts from various entities. He said it was the same kind of ratio they had before, even though there appeared to be a difference in cost; it was based on revenues brought in and the number of accounts.

Council Member Uhlich asked for clarification that it was not just a cost recovery model, but based on revenues projected through the billings.

Mr. Quigley replied it was based upon the number of accounts and the revenue against the costs the City had in operating the system. He added the City sat down with Pima County, along with Environmental Services, and discussed what those costs were to come up with the model. The model was then applied to the number of accounts and the revenue.

Council Member Uhlich summarized that the City’s costs might not have grown as quickly as the accounts that the sewer system had, and therefore, the per-unit cost would decrease, and asked if it would still be covering the total cost appropriately.

Mr. Quigley replied it would.

Discussion continued on the benefits to consolidate functions with Pima County and the benefits to both parties.

Council Member Kozachik inquired if the City was recovering all costs expenses with the duties assigned to Tucson Water given the recent reductions in staff.

Mr. Quigley said the agreement reflected the City's cost of doing business and was fairly distributed amongst the entities involved in the agreement.

Council Member Cunningham asked how the City came to the two hundred and twenty-six thousand accounts, and if that was every account in Pima County, commercial and residential.

Christopher Avery, Chief Water Counsel, replied the number of accounts was reached on an annual basis and was the number of Pima County Sewer accounts with Tucson Water. He continued explaining the process the City used to derive at those figures.

Vice Mayor Fimbres asked staff to elaborate where the \$2.2 million dollars Tucson Water received went to.

Mr. Quigley replied the money goes into Tucson revenue accounts, and would be paid to Tucson Water on a monthly basis.

Council Member Kozachik noted that people living in the valley were, at some level, subsidizing people living in the foothills. He asked if it was fair to say that Tucson ratepayers living in the valley were more appropriately treated by keeping the eighty-four cents.

Mr. Quigley said those were two different issues altogether; water sales and how that water was served to customers. He said it was based on the cost of the billing system and how those were distributed based on revenues received for services provided.

It was moved by Council Member Scott, duly seconded, and passed by a roll call vote of 7 to 0, that Consent Agenda Item d be passed and adopted and the proper action taken.

**7. CONSENT AGENDA – ITEM E**

**e. FINANCE: APPROVAL OF THE COMPREHENSIVE FINANCIAL POLICIES**

1. Report from City Manager JAN04-11-12 CITY WIDE
2. Resolution No. 21676 relating to Finance; approving the comprehensive Financial Polices for the City of Tucson as recommended by the Government Finance Officers Association; and declaring an emergency.

Roger W. Randolph, City Clerk, announced the final item to be considered separately was Consent Agenda Item e, at the request of Council Member Kozachik.

Council Member Kozachik pointed out the size of the financial plan, and he was surprised to see it on the Consent Agenda. He made general comments regarding duplication of services and inefficiencies in service delivery. He also commented on unencumbered and encumbered balances in Capital Projects and asked if that meant they were reallocating unencumbered funds to new projects, if there was a need for reallocation, was there a way to use those unencumbered dollars for deficit mitigation and were department or project managers reallocating unencumbered dollars so that they did not lose them, and was a way to get around that syndrome.

Kelly Gottschalk, Chief Financial Officer, replied that in most cases 'no', they just re-encumbered the same project. She said there were instances where a project might be finished and funds remained so they reallocated those funds to other projects. Primarily, it was just re-appropriation to the same projects.

Ms. Gottschalk also replied that in the last few years there were very little general fund dollars going into the Capital Improvement Program (CIP) Plan. Currently, all the money going into the CIP Plan either came from grants or from the enterprise funds, so very little general fund money could be moved around.

Ms. Gottschalk explained that generally within the operating and general fund, she agreed that had been a risk in the past. However, with what most department directors went through in the past few years in trying to balance the budget, she had not seen that in the City as in other places.

Council Member Kozachik referred to good financial practices in the plan, and avoiding uses that had ongoing costs, and non-reoccurring money should not be relied on for ongoing operating purposes. He was concerned that the funding source had not been identified for the streetcar going forward. He asked if that was addressed in the financial plan.

Ms. Gottschalk said the streetcar team was working on a variety of sources to fund the operation and maintenance, and the University of Arizona was one of those sources. She added that was one of the primary purposes of the five-year model, to build in those things they knew were coming to see what adjustments had to be made now to plan for the future.

Council Member Kozachik asked what kind of proposed strategies would be used to get the rainy day fund the way it had to be.

Ms. Gottschalk said that was the purpose for the five-year financial model, to see where the City had to cut, to what level on the expenditure side and what revenue growth was anticipated to get to that point.

Council Member Kozachik asked the City Attorney about the CIP and the Rio Nuevo letter that was written to the Governor and State Legislature. He said in the letter it was noted that the CIP spreadsheet emailed to the District Council on December 6, 2010,

and referenced by the City as the CIP from the audit, did not appear to be what was described in the audit. He said the District had to review and potentially amend the CIP as discussed by the audit. He commented the financial plan spoke of the CIP including funding sources, and asked if the Rio Nuevo Board was authorized to be a party to the creation of the City's CIP.

Mike Rankin, City Attorney, stated the plan involved two different CIP's. He said the one referenced in the audit and in Rio Nuevo's response to the audit was a document that his staff helped put together for them, as part of educating the reconstituted Board and getting them up to speed on what projects were at what stage, and how things looked going forward. The Rio Nuevo Board was not authorized to dictate the City's CIP.

Council Member Kozachik referred to the Deferred Maintenance Policy in the plan, and asked staff to identify what maintenance and purchases the City was deferring; the potential costs and cost savings, and also the costs the City might be looking at. He was concerned that with the City facilities getting older, the City should seriously look at the plan.

Council Member Kozachik referred to maximizing yields from an overall portfolio consolidation of cash balances, and asked if the Tax Increment Financing (TIF) dollars were incorporated into that consolidation in order to maximize the City's investment return on TIF.

Ms. Gottschalk replied the City had a pool balance, and they maximized those funds. She added that the Rio Nuevo funds that were not with the trustee were included in that. As part of the Intergovernmental Agreement, she said those funds would be taken and invested elsewhere, so they would be pulled out of the City's pool.

Council Member Kozachik suggested that Rio Nuevo might want to consider continuing pooling those funds, so the dollars could be consolidated and get a greater return.

Mr. Rankin replied he did not disagree, and that subject had been broached to them to think about. He added there were some concerns in connection with some of the findings in the audit and other reasons about keeping a separation between the monies of the two entities. He said there was also the reality of being able to maximize the investment potential.

Council Member Kozachik referred to the section of the policy where bids were being taken at least every two weeks for cash on hand. He asked if that was an overly restrictive policy that might be costing the City more money and staff time in the incremental dollars the City was getting by re-bidding and going through the whole process.

Ms. Gottschalk explained it was not, and said it was standard in the investment industry.

Council Member Kozachik referred to the section of the policy that said the Risk Management Fund had a negative fund balance. He asked how much under water the City was in and what the potential general fund implications were and the solutions.

Ms. Gottschalk stated the Risk Management Fund was not part of the first round of the model. She explained the primary reason for the negative fund balance was due to projected future claims and said that part of the model would be brought back to the Mayor and Council at a future Study Session.

Council Member Kozachik asked if there was general fund implication for that or if it was just a projection.

Ms. Gottschalk said the negative number was a paper number, but the reality was that there was a \$24 million-dollar treasury bond on hold with the Industrial Commission. It was real money, but it was just not in the City's possession. Other than that, there was no cash in that fund.

Council Member Kozachik had several general questions about the City's relationship with its financial consultant. He asked who the City's financial advisors were, how they were selected, how their fees were calculated, where the fees were, the length of the contracts, what the City's debt limit and debt capacity was, and how much money the City could legitimately borrow without putting the bond rating at risk. He also asked how the City could justify sole sourcing financial advisors.

Ms. Gottschalk said in reference to the financial advisors, the City sent out a request for proposals, and the last one was done about a year ago. Piper Jaffray was the current company on board, and they were paid a per bond rate. She said there were about six or seven different firms that put in a proposal, and a team of people selected Piper Jaffray. She added they were not allowed to be an underwriter on the same transaction when they served as the financial advisor for the City.

Council Member Scott asked if the City changed financial advisors periodically, just as a matter of keeping a cleaner record and for security purposes.

Ms. Gottschalk replied that was true, especially for the audit providers; but for financial advisors, it was not recommended to change the audit firm. She commented Piper Jaffray was an excellent firm and they provided more service than some financial advisory firms she was familiar with.

Council Member Romero expressed concerns that the City's financial advisors were in a potential conflict of interest in trying to sell bonds to the City. She asked if there was a policy against the City doing that, because having financial advisors selling the City's bonds seemed to be a conflict of interest.

Ms. Gottschalk said it was directly spoken to in the policies that the City was not allowed to do that. It had been a practice of the City in the past, however, that was not directly spelled out.

Council Member Kozachik commented on General Obligation Bonds (GO Bonds), where the Bond Oversight Committee (BOC) was referred to. He asked about the Committee's membership, how often they met, what level of review and monitoring they performed, whether or not they ensured that the projects identified in bond packages were actually the recipients of the voter approved dollars, and if they reviewed and oversaw projects funded with TIF dollars.

Ms. Gottschalk replied that the BOC had not been in place for several years, because there had not been a GO Bond since 2004 or 2006. She said there was another Study Session item scheduled for sometime in February, where they would talk about the GO Bonds. At that time, staff would bring forward possible projects, to ask the Mayor and Council if they wanted to go out for a bond, and in what year. If there was a desire to do that, a new BOC would be formed at that time.

Council Member Kozachik asked if decisions with respect to taking on more debt ultimately came before the Mayor and Council before forming a committee based on recommendations from Mayor and Council.

Mr. Rankin replied in the affirmative. He also said GO Bond debt would go to the voters for approval, so the Mayor and Council would have to refer that to the voters for approval.

Council Member Kozachik referred to Special Assessment (SA) Bonds, and asked who would vote to approve them and if they could be used for flood mitigation, road repair, and neighborhood improvements.

Mr. Rankin replied those were SA Bonds and as they periodically came before the Mayor and Council, there was a full public process for the approval, including a Notice of Intent, and finally approving the assessment. Those who wished to protest within the defined district would have the opportunity to do that.

Council Member Kozachik asked how tightly drawn those districts could be, and if there were parameters laid out by statute.

Mr. Rankin replied they were not necessarily geographic, but in terms of where the improvements would be invested, whether they were street improvements, lighting improvements, etc., all the property owners within the defined district would get a notice and the opportunity to protest.

Council Member Kozachik asked for clarification that projects specifically identified in that borrowing package would not be shifted around.

Mr. Rankin said that was correct, those would be projects for a specific purpose and identified for the improvement district.

Council Member Kozachik referred to shifting that happened in the past, in particular the Barrio Projects, and asked if they fell under that classification.

Mr. Rankin explained those were not Special Assessment or Improvement District Bonds, but instead, they were Revenue Bonds issued through the Rio Nuevo District.

Council Member Kozachik commented that those bonds were paid for with TIF dollars.

Mr. Rankin said it was a District, but a separate kind of District. It was a Special Taxing Stadium District under a separate portion of the *Arizona Revised Statutes*.

Ms. Gottschalk added, on Special Assessment Districts, the City had a period of time where there were a number of those set up; and for a period of time, they had not set any up. She explained, if the Mayor Council desired to move that way for a specific project, it would need to be a big project, because they were very labor intensive to set up, to build a residence, collect the money, manage the District and the accounting.

Council Member Uhlich said she also had several questions, and thought many of the answers to her questions could be provided in a follow up. She applauded the work of the City Attorney and Chief Financial Officer, stating it was important to have the Capital Financial Policies outlined as presented in detail, to reinforce accountability, and make sure the public understood exactly how the City was handling their money.

Council Member Uhlich referred to Capital Management in the policy, and said recently, during call to the audience, there was a suggestion regarding change orders to contracts running through the Mayor and Council. She asked the Chief Financial Officer if she had a chance to discuss that, or reflect on whether that could be an explicit policy, or if that was something that would be brought back to the Mayor and Council as amendments to policies in the future, if prudent.

Ms. Gottschalk explained what she was trying to do with the policies was not to create a conflict with other policies. She said she felt that particular instance should be handled and addressed in the *Procurement Code*, and said she would talk to the Procurement Director about that.

Council Member Uhlich referred to Expenditure Controls in the plan, and asked about the second bullet where it said “The City will endeavor to obtain supplies, equipment, and services as economically as possibly”, yet in the Council’s understanding of local purchasing, they realize that they could leverage City dollars for better economic benefit. She wanted to make sure that statement did not conflict, or the City would not get challenged by somebody saying they could have gotten it for ten cents less, when the City decided by policy that local purchasing leverages benefited more.

Mr. Rankin replied he would not read that as a conflict. He said obtaining them consistent with code in a manner that was economically beneficial would address that.

Council Member Uhlich commented on the City's selection and bidding for bank services, and asked if that also went through Procurement.

Ms. Gottschalk confirmed it did.

Council Member Uhlich said she was not familiar with the Administrative Directive 3.01-3, but wanted to make sure that whatever the criteria was, the community banks and credit unions were given a level playing field to bid on.

Ms. Gottschalk said it was important for the City's security to deal with primary dealers, and it was unlikely that some of the local banks would qualify for that. She added that they would check to find out if there were any banks that had a brokerage arm that would qualify to be a primary broker to meet the City's minimum criteria.

Council Member Uhlich asked Ms. Gottschalk to forward her Administrative Directive 3.01-3. She referred to page twenty-two, Monthly Financial Reports, and asked if it could be included in the Policy that the Monthly Financial Report statements go to the City Manager and the Mayor and Council.

Ms. Gottschalk replied the Monthly Financial Reports were posted on the City's Internet at the same time they went to the City Manager, but the Finance Department started sending them to the Mayor and Council because it was brought to their attention that all Council Members were not seeing them on the Internet.

Council Member Uhlich referred to debt management, and said she liked that there were specific percentages for different types of investment tools, but said she did not see any types of benchmarks for debt issuance and used the COPS borrowing as an example. She asked if the issuance of COPS was a multi-year obligation.

Ms. Gottschalk said technically it was not; it was subject to annual appropriation, which was why they were able to do it without an election. She said it was a long-term debt, because if the Mayor and Council chose not to appropriate, they would lose all the assets in the trust and they would never be able to go back out to the bond market again. Practically, she said it was a long-term debt, but technically, it was not. She added that GO Bonds were limited by State law and the Charter, but they could look at what might make sense on a per capita basis or percentage of debt per average household income.

Council Member Uhlich referred to CFD's (Community Facilities District Bonds), where it was noted that the Mayor and Council 'typically' served as the Board of Directors of the CFD. She said her recollection of the discussion in 2008 was that they explicitly said the Mayor and Council 'would' serve. She asked if she was wrong and said she wanted to make sure there was not a contradiction.

Mr. Rankin said he did not remember that part of the direction, but said it referred to the general practices, as well as, statutory structure for CFD's. As of now they had yet to form one.

Council Member Cunningham asked if there was some language in the policy that capped what the City was paying, with regard to the City's financial advisors and consultants, in particular Piper Jaffray. He said he was concerned because in the past the City overpaid some consultants and advisors to tell them what they thought, and did not get anything in return. He wanted to make sure that would be limited this time.

Ms. Gottschalk stated that issue was not addressed in the policies, but could be addressed in the annual contracts with them.

It was moved by Council Member Scott, duly seconded, and passed by a roll call vote of 7 to 0, that Consent Agenda Item e be passed and adopted and the proper action taken.

**8. PUBLIC HEARING: ZONING (SE-10-58) AT&T - OLD SPANISH TRAIL, SR ZONING, SPECIAL EXCEPTION LAND USE, CHANGE OF CONDITIONS AND PRELIMINARY DEVELOPMENT PLAN, AND ORDINANCE ADOPTION**

Mayor Walkup announced City Manager's communication number 8, dated January 4, 2011, was received into and made part of the record. He also announced this was the time and place legally advertised for a public hearing on a request for a change of conditions and preliminary development plan for property located at the northeast corner of Old Spanish Trail and Houghton Road. He said the public hearing was scheduled to last no more than one hour and speakers would be limited to five-minute presentations. He asked if there was anyone in the audience wishing to be heard on this item.

There was no one.

It was moved by Council Member Scott, duly seconded, and carried by a voice vote of 7 to 0, to close the public hearing.

Mayor Walkup asked the City Clerk to read Ordinance 10868 by number and title only.

Ordinance No. 10868 relating to Zoning; amending Ordinance 10846 by amending zoning conditions for an approved Special Exception Land Use - a 60-foot tall wireless communications tower with antennas concealed within an artificial palm tree in Case SE-10-58, AT&T - Old Spanish Trail, SR Zone, located on the northeast corner of Old Spanish Trail and Houghton Road; and declaring an emergency.

It was moved by Council Member Scott, duly seconded, and passed by a roll call vote of 7 to 0, to approve the request as presented and pass and adopt Ordinance 10868.

**9. CITY GOVERNMENT: RESOLVING TO PROMOTE THE CITY'S COMMITMENT TO EQUAL OPPORTUNITY AND DIVERSITY IN THE WORKFORCE AND OPERATIONS**

Mayor Walkup announced City Manager's communication number 6, dated January 4, 2011, was received into and made part of the record. He asked the City Clerk to read Resolution 21673, by number and title only.

Resolution No. 21673 relating to the City of Tucson's commitment to equal opportunity and diversity in the City's workforce and in the delivery of services to the public; declaring the City's support for equal opportunity and diversity in all aspects of City operations; and declaring an emergency.

It was moved by Vice Mayor Fimbres, duly seconded, to pass and adopt Resolution 21673.

Council Member Uhlich thanked Vice Mayor Fimbres for shepherding the Resolution forward.

Council Member Kozachik referred to page two of the Resolution, under Section 1, where it said the City would continue to use race and gender neutral measures to enlarge the pool of qualified vendors and contracts. He said the City was on a separate path in asking the Procurement Department to work with the Gay, Lesbian, Bisexual and Transgender Issues Commission (GLBT) and adopt new language that would potentially restrict the number of vendors' coverage for domestic partners. He wondered if they should be careful about that language in the Resolution, if they were to consider it later on.

Mike Rankin, City Attorney, stated he understood Council Member Kozachik's point, but was not concerned about the language in the Resolution. He said that was an example of the overall commitment in the header to Section 1, which was to take the affirmative steps to promote the policy of equal opportunity and diversity. He said it was clear in what the Resolution was trying to achieve, and he did not see it as presenting a roadblock to the Mayor and Council in any way, in terms of shaping specific policies and any code changes ultimately approved to the *Procurement Code* with respect to other issues addressed.

Resolution 21673 was declared passed and adopted by a roll call vote of 7 to 0.

**10. WATER: AUTHORIZING AND APPROVING AN AGREEMENT WITH VARIOUS AGENCIES FOR TUCSON AREA RELIABILITY**

Mayor Walkup announced City Manager's communication number 11, dated January 4, 2011, was received into and made part of the record. He asked the City Clerk to read Resolution 21674 by number and title only.

Resolution No. 21674 relating to water; authorizing and approving an agreement for Tucson area reliability among the City of Tucson, the Central Arizona Water Conservation District, Flowing Wells Irrigation District, Metropolitan Domestic Water Improvement District, the Town of Marana and the Town of Oro Valley; and declaring an emergency.

It was moved by Vice Mayor Fimbres, duly seconded, to pass and adopt Resolution 21674.

Council Member Uhlich said she was pleased this was a change from prior years, where there was discussion about the Central Arizona Water Conservation District establishing a separate facility. She was glad to see they were going to be using the established facility of Tucson Water, and asked if it was correct to assume the agreements would be full cost recovery for the City. Council Member Uhlich also asked for clarification that the cost for placing the water in City facilities, and in the case of need of it being drawn out, all those things would be covered by either the CAP system or jurisdictions utilizing the City's infrastructure.

Andrew Quigley, Interim Water Director, explained the agreement was at the expense of the Central Arizona Project (CAP). He said the agreement was making good on a commitment that was made back in 1986.

Chris Avery, Chief Water Counsel, replied the cost of the facilities and operating the facilities would be borne by CAP. He added that because this was the City's Central Arizona Project allocation, the City would be paying the full cost for the CAP allocation for storing and the recovery costs the City incurred from Pima Mine Road. He said CAP was making their fifty percent share of Pima Mine Road available to the City of Tucson for reliability purposes. He said that would be a win for the City and would give the City additional recharge capacity.

Council Member Uhlich asked, in terms of providing also for the Flowing Wells Irrigation, Metro Water, Marana, and Oro Valley, if when they spoke about 'our' CAP allocation, did they mean the regions included those water service providers.

Mr. Avery said there were essentially two different agreements that were subsumed within the agreement. The first set of agreements was with the northwest providers to use the lower Santa Cruz Recharge Project to store their allocations for reliability purposes. The second part of the agreement was to store the City's allocation as well as the allocations of Spanish Trail Water Company and the Vail Water Company at Pima Mine Road. For reliability purposes, CAP agreed to make those facilities respectively available to each party and store essentially one twelfth of each party's allocation at those respective facilities.

Council Member Cunningham asked if once it made it to Pima Mine Road, could it be wheeled back to be put back into the ground, or would it have to be pumped into the pipes forever.

Mr. Avery said over the last couple of years, they realized that the water pumped from the Santa Cruz Well Field had significant CAP water signature from the recharge activities that occurred at Pima Mine Road. He said Tucson Water could recover CAP stored at Pima Mine Road through the Santa Cruz Well Field and they were making some changes in the Capital Improvement Project budget to optimize the well field and increase the diameter of the pipelines that came into town from that well field. He said the advantage from using the Santa Cruz Well Field and Pima Mine Road for recharge and recovery operations was that they did not pay the lift to get the water back up to the Hayden-Udall Treatment Plant. He said there were some economies in operating costs from using Pima Mine Road, and for that reason, it was a great benefit to the City.

Resolution 21674 was declared passed and adopted by a roll call vote of 7 to 0.

**11. APPOINTMENTS TO BOARDS, COMMITTEES AND COMMISSIONS**

Mayor Walkup announced City Manager's communication number 4, dated January 4, 2011, was received into and made part of the record. He asked if there were any personal appointments to be made.

Council Member Scott announced her personal appointment of Denise Morse to the Pima County/Tucson Women's Commission.

**12. ADJOURNMENT: 7:26 p.m.**

Mayor Walkup announced the next regularly scheduled meeting of the Mayor and Council would be held on Tuesday, January 11, 2011, at 5:30 p.m., in the Mayor and Council Chambers, City Hall, 255 West Alameda, Tucson, Arizona.

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MAYOR

ATTEST:

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CITY CLERK

CERTIFICATE OF AUTHENTICITY

I, the undersigned, have read the foregoing transcript of the meeting of the Mayor and Council of the City of Tucson, Arizona, held on the 4th day of January 2011, and do hereby certify that it is an accurate transcription.

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DEPUTY CITY CLERK

RWR:sac:ccs