

Minutes of the Regular Meeting of the Mayor and Council of the City of South Tucson, Arizona, held Monday, April 27, 2015, at 6:00 p.m. at the City of South Tucson Council Chambers, 1601 South 6th Avenue, South Tucson, Arizona.

Council Present: Paul Diaz
Miguel Rojas
Herman Lopez
Idelfonso Green

Staff Present: Benny Young, City Manager
Veronica Moreno, City Clerk
Marilyn Chico, Housing Director
Ed Machett, City Attorney
Michael Ford, Police Chief
Lourdes Aguirre, Finance Director
David Carranza
Joel Gastelum, Planner
R. Leyvas
Denise Valencia, Administration
Mick Jensen

Mayor Diaz called the meeting to order and led the Pledge of Allegiance.

ITEM #04 – ROLL CALL – All members of the Council were present, except for Vice-Mayor Romero, Councilwoman Mendoza, and Councilman Patino, who were excused.

ITEM #05 – CALL TO THE AUDIENCE

Ms. Sanchez: I am Elvia Sanchez. And I am not a resident of the City of South Tucson yet. I'm hoping to buy this Patty Coos former Lou's Plumbing building. And I've been trying to get some information. I would like to not use it for what it's, I guess it's purpose or zoning is right now. I believe it's retail. I would like to open up a children's amusement center or park. And I was just wondering, I've been to the office a couple of times to try to get information as to what exactly I need to do. And they told me to come to this meeting, so here I am.

Mayor Diaz: Okay. Mr. Young.

Mr. Young: Mr. Mayor, members of the Council, Ms. Sanchez, I'll give you my business card before I leave tonight. I'm the City Manager and I'll be glad to talk to you about that.

Ms. Sanchez: Well, great. Thank you. Nice meeting you. I think it was, wasn't it Luis before?

Mr. Young: Luis, yes, ...

Ms. Sanchez: I had started ...

Mr. Young: ... (inaudible) ...

Ms. Sanchez: ... with Luis a time back, but then I think he took ill. So since then, he's been replaced, I take it. Okay. So I can get that from you then?

Mr. Young: Yes.

Ms. Sanchez: Okay. Thank you very much.

Mr. Young: If you stay for just a minute, I left my business card in my office. I'll run and get it.

Ms. Sanchez: No problem.

Mayor Diaz: Anybody else in the audience that would like to address the Council?

(No response from audience)

ITEM #06 – APPROVAL OF MINUTES: SPECIAL MEETING OF APRIL 6, 2015

Motion by Councilman Rojas to approve the minutes of the Special Meeting of April 6, 2015. Seconded by Councilman Green. Motion passed unanimously.

ITEM #07 – PRESENTATION OF FISCAL 2014 AUDIT AND FISCAL 2015 AUP (AGREED-UPON PROCEDURES)

Mr. Young: Thank you, Mr. Mayor, members of the Council, the fiscal year '14, which concluded last June 30th, has been, the auditors completed that. And I'm joined this evening by Kevin Camburg, with Fester and Chapman. They (inaudible) audit for us. They also did the audit for last fiscal year, so they have some familiarity with the City and our operations. And so I've asked Kevin to kind of give you a high level summary of the findings and conclusions of the audit. And sometime last week, we placed a copy of the audit in each one of your Council boxes so you could review it in more detail at your convenience. It's really an important function. It's required annually for the City. We want to make sure every penny is accounted for that the City receives, and (inaudible) budgeted and we know where it went, so that there's no question about that. And that's one of the reasons that an annual audit is really important in local government. Having said that, I'll let Kevin summarize the results for you. If you give us about five or maybe ten minutes, he can summarize that and we'll be happy to try to answer any questions that you might have.

Mayor Diaz: Thank you.

Mr. Camburg: Let me know if you can't hear me. As Benny said, my name is Kevin Camburg with Fester and Chapman. I did want to start by thanking Lourdes and the Accounting Department. There's been a tremendous amount of change in that department, as you're probably aware. Lourdes took over in February of the year this was under audit, replacing, so that year was almost entirely over before she started. I think you'll see there was a tremendous amount of improvement

from fiscal year '13 to fiscal year '14. I'm going to touch the high level, but the number of findings that we reported last year in '13 was quite high. We had 12 findings. This year, fiscal year '14, that was reduced to 7. And the ones that weren't corrected were on the way to being corrected, and you can see that in Benny's response to the findings. So there has been a lot of progress in the Accounting Department. I feel very good about that, that movement in that direction. I'm going to start with the financial statements that you have, hit some high points. I did want to touch on, you know, why you have your audit, too. State statute requires municipalities to have an audit and it has to be submitted by March 31st. This year, we made that deadline (inaudible) Lourdes' effort, largely. Last year, it was late because of the accounting issues that you were facing. So this year, you were on time. You also get audited because you receive more than \$500,000 in federal funds. So that requires us to do what they call single audits. We test compliance (inaudible) federal grants and we did also complete that on time this year, so I just really want to thank her for her efforts. The audit opinion is on page two of the bound document. You have the in front of you. Page 1 and 2, but page 2 has the opinion paragraph. That's where we give our opinion on the financial statements. You can see the clean opinion. What that means is that we believe the numbers that follow are presented (inaudible) with accounting rules for governments and were accurately stated. A couple of highlights (inaudible) you know, a large document but page 7, there is a management's discussion and analysis, and I think this is a great place to go to get the highlights of the financial position of the government. It's entitled "Financial Highlight", written by your staff, audited by us. A couple key points the overall government incurred a \$100,000 loss for the year, for fiscal '14. Important to note (inaudible) July '13 through June '14 that's under audit here. General Fund had a small loss of \$85,000. In addition, transferred funds to other funds so it incurred roughly a \$300,000 loss. The Housing fund had a small gain of roughly \$93,000. There's other highlights listed on this. This is a really good summary of what went on during the fiscal year. A couple of statements I wanted to touch on. On page 18, there's a balance sheet for the General Fund. The key on the balance sheets are the fund balance and the net worth of the government as of June 30th, in the General Fund is \$900,943; \$600,000 of that is restricted for debt service, so you're down to roughly \$339,000 in unrestricted fund balance as of June 30th. And then on page 22 is the income statement for the General Fund. I focus on the General Fund because that's the main operating fund in the government. Those come from your general revenues, financed by your general revenues. And then as I spoke of, the, you can see in the General Fund that the revenues, expenditures exceeded revenues by \$85,000. And you have that \$208,000 to transfer to other funds for a net loss in the General Fund of \$294,000. Those are kind of the overall summary of the financial activity for the government for the year. There's a couple of note disclosures I did want to touch on that I think are important. Page 38, we have the contingent liability note. And this addresses the property taxes that were levied. Fourteen is the final three years that you had that levy in place. So that's been disclosed (inaudible) possible contingent liability. You collected roughly 1.8 million, six hundred thousand a year of that three-year period. And that's, you know, a potential liability. The other note I want to talk about is the Retirement Plan because it also has a future financial implications. That's, and it's on, page 42 is really the (inaudible) speak about. So you have some Public Safety Retirement Plans. You have Police and the Fire. And currently, you have an unfunded liability of roughly \$8,000,000 in the Police Department, and about \$2,000,000 in the Fire Department. That is going to be accrued on the face of your balance sheet starting in fiscal year '15 as a long-term liability. That's a change in accounting that all governments will be implementing. I'm sure you probably heard Benny discuss that so starting fiscal year '15 that unfunded liability will be on the face of your balance sheet. That's generally accepted accounting principle were amended and this is the first year that that will be implemented coming up in '15. And then the last statement until I go to the single audit part of the presentation where we talk about our

findings is on page 46 is the budget to actual comparison. And that's where you can see which departments exceeded their budget during the year and which were under budget for the General Fund which is one of the funds we focused on. And that's, you know, one of the things that Finance has been working on is monitoring budget to actual, and keeping Department Heads aware of when they're approaching the budget limitations. As you get to the end of the fiscal year, that will be a task that Lourdes will engage in with the Department Heads. That's it on the statements. I wanted to talk about the single audit really briefly unless there are any questions. So the other document you have there is our single audit report packet. Since you receive more than \$500,000 in federal funds, we do this part of the audit. Page 8 in that document is the schedule of findings (inaudible). And I think this is a scorecard for the audit. It discloses did we have any financial findings which we did, non-compliance with regards to the levying of property tax, that's disclosed as yes. We did have a claim opinion. It talks about the federal awards, that the audit is major and (inaudible) without findings. But this is a great place to go if you just want to summarize how the audit, what the results were. Our findings follow. As I talked about before, you went from 12 in fiscal year '13 down to 7. And you have a corrective action in place that I'm hoping that this, 'cause it was hard to correct findings when you didn't have you finances in place mostly the whole fiscal year was over. So, they were largely still in place in '14, but some of them corrected. I'm anticipating many more of these will not repeat in '15. So, I feel really good about the progress you've made. Do you have any questions about any specific findings that we reported?

Councilman Rojas: Yeah, last year, I guess when you gave the report to us, we were asking, at that point, if you were gonna make other visits, other than the audit visit, to the City to kind of make sure that things were happening as we had ...

Mr. Camburg: And we did.

Councilman Rojas: ... because ...

Mr. Camburg: We did a December visit and we went through the closing process. And that laid the groundwork for this audit. And that's where, you know, we saw the progress was made. We did issue a separate report to ...

Councilman Rojas: Okay.

Mr. Camburg: ... on that. Largely, what could have been fixed, it was, year end closing was fixed. If you had a transactional finding, I mean that was happening all the way up, you know, until you, that had to be reported. I mean that was the jest of it. 'Cause, you know, Lourdes took over at the end of February so it's stuff that happened before February was still in this fiscal year, therefore, we have to report it. But that was a result of that. It's very positive also. We did, about nine steps that we went through and we looked at the findings that were reported last year and saw what actions were taken to address them.

Councilman Rojas: Great. Thank you.

Mr. Camburg: Sorry I forgot to mention that in the beginning.

Councilman Rojas: Well, I wanted to make sure because we wanna make sure that it's recorded in case anybody is taking any notes that since we have been doing this, things are moving positive in the audit department, which is where, you know, a lot of people like to scrutinize the administration, or scrutinize the policy makers. And this is why we wanna make sure that anybody out there in the audience knows that we are attending to business.

Mr. Camburg: Right. Yeah, I mean I, my take away from the audit is a vast improvement over fiscal year '13.

Councilman Rojas: Thank you.

Mr. Young: Mr. Mayor, members of the Council, if there are no further questions from the Council, I guess I would just summarize this by, from my perspective as your City Manager, we've made progress. And it's going to continue to be a work in progress and we will continue to work on the findings that still need to be cleared. We're not in horrible shape financially, but we're not in great shape either. And so as we had discussed previously at some of the budget work sessions, we need to work on creating a more robust (inaudible) tax base in the community if we can. We're very heavily dependent upon sales tax. We have a subsequent economic vitality (inaudible) this evening we will talk about some of the strategies that staff would suggest maybe we pursue to increase investment, or to encourage investment in South Tucson. We're very close to breaking even from the standpoint of our revenues and expenditures. That's good. But there's a lot of things that we're not able to do from a service perspective that I would really like to be able to provide to our citizens. And we'll talk more about those things when we go through the development of the fiscal year '16 budget. And I've scheduled a work session for you on May the 11th where we will show you kind of what a status quo budget when we get to fiscal year '16 looks like, and whether or not we can balance with just a status quo. That's kind of taking this year's services and perpetuating them. Again, I have a list of things that we're not able to do that would be ideal if our financial situation would improve. And so I look forward to that discussion with the Mayor and Council. I think it will be a very important discussion for us.

Mayor Diaz: Will this information be available on the internet in regards to, or some of it?

Mr. Young: Lourdes, can you help me with that?

Ms. Aguirre: Yes, absolutely. Mayor and members of the Council, it will be posted. The request will be made to IT for tomorrow.

Mayor Diaz: Okay. Thank you.

ITEM #08 – PUBLIC HEARING: TRANSFER OF LIQUOR LICENSE APPLICATION, LICENSE SERIES #06 BAR LICENSE – ON SITE SALE RETAILER TO SELL SPIRITUOUS LIQUORS IN INDIVIDUAL PORTIONS FOR CONSUMPTION ON THE LICENSED PREMISES – ST. CHARLES TAVERN, JARED MICHAEL REPINSKI (AGENT), JARED MICHAEL REPINSKI (OWNER), 1632 SOUTH 4TH AVENUE

Mr. Young: This is an item where you're being asked to make a positive or negative recommendation to the State Liquor Board on the transfer of the liquor license at an existing location in South Tucson. It already has a license in place. It's what used to be the old Paddock Bar on South 4th. And subsequently, it's a different kind of bar and finally, a Santa Rita market pizzeria that was unable to continue operation. And your actual decision is on the next item. However, this item is the public hearing for anyone that might wish to make a comment about the merits of the proposal and whether or not they, the public would recommend your positive or negative recommendation. So far, we have had no forms in opposition and no forms in favor. However, we did receive two letters of support this afternoon or early, maybe it was this morning. And I've asked that those be placed at your stations so that you could see them. And as far as, I know we have had no telephonic inquiries in favor or in opposition of the proposal. The owner agent and the two older managers, Mr. Churchill Brauning, are in the audience tonight. They also submitted, and you'll see it under Item #09, their business plan where they have addressed some of what I think might be questions that you would have with regard to this application. For example, although the license, if the transfer is approved, would allow them to have off-premise liquor sales, that is not their intent and so they've given that to you in writing in their business plan. Because I thought maybe the Council might be interested in knowing that. And they were good enough to summarize what they intend to do operationally. The staff is recommending approval and this would be the right time to have a public hearing, go to the audience and have public comment on the proposal.

Mayor Diaz: Would anybody in the audience like to address the Council? State your name and address.

Mr. Brauning: Churchill Brauning, 2134 North Addison Terrace in Tucson. Not a resident of South Tucson but along with my wife and business partners, we did just purchase the property at 1632 South 4th Avenue, with the intent of turning it into the bar that it once was. We bought the pre-existing 6 license that went along with the address. So we're not asking for a new approval or any accommodations on that, in that regard. Just looking to transfer the license.

Mayor Diaz: Have you had, you've had conversation with the City Manager regarding to, I guess what I'm asking is that you understand that we used to be really bad and now we're moving forward and having a whole atmosphere of South Tucson a lot better.

Mr. Brauning: We've had several conversations with Mr. Young and several people at City Hall, including the Chief of Police. We definitely understand that there used to be 55 liquor licenses in South Tucson, now there's 8. So there's obviously a diminishing of the licenses. We understood that going into the project. But we've been reassured by really everyone every step of the way that times have changed for South Tucson.

Mayor Diaz: Okay. And as far as cooperation with the City, is there any problems that you had with the City as far as?

Mr. Brauning: Not at all thus far, sir.

Mayor Diaz: And I see that some of your plans are nostalgic in respect to the building and so forth. That will be, you know, the ambience inside the building.

Mr. Brauning: Sure.

Mayor Diaz: Is that, you're remodeling, in other words?

Mr. Brauning: We're going to do some remodel because it had been remodeled for a liquor store, which we want nothing to do with. So it would remove the aisles and the cameras, and all the things that kind of go along with a liquor store. Also, it was a pizzeria so we had to remove, you know, the pizza counters and all the things that went along with a pizza restaurant. But the integrity of the building is very much respected and we're gonna try to breathe some fresh life into it.

Mayor Diaz: You'll be selling food also?

Mr. Brauning: We will. Even though it is a 6 license, we do intend on having food as part of the overall program. That's kind of our phase 2, once we get the bar open. Since it's not a 12 license, we don't have to do that concurrently. As funding dictates, we'll get the kitchen operational.

Mayor Diaz: I noticed that you do have some experience in this field.

Mr. Brauning: I do. With, along with my wife, we have close to 40 years of experience of running bars both in San Francisco and here; Hotel Congress, La Cocina, several nice places that people seem to love in the area. We feel, you know, confident in our, that our ambitions aren't out of reach.

Mayor Diaz: Any other questions?

Councilman Green: And I'm glad to hear that you're not gonna be selling, you know, sale, liquor for off-premises, yeah, use. One of the things as I understand, that you want to sell food but that's not gonna be right away?

Mr. Brauning: Correct.

Councilman Green: What time period are we looking at?

Mr. Brauning: Well, we're hoping to open the business by July. And hopefully, within 4 months have, the kitchen is kind of the caboose on the project. Frankly, we're trying to get the capital invested in the, ...

Councilman Green: Exactly.

Mr. Brauning: ... the infrastructure of the actual building which needs a great deal of work. And again, since we don't have a 12 license, it's not ...

Councilman Green: It's not, ...

Mr. Brauning: ... a requirement.

Councilman Green: ... it's not a requirement.

Mr. Brauning: But it's definitely, you know, we're getting our menu together, getting our people who are gonna be working there together, so it's a little bit of a process but it's absolutely our intention to get that going as soon as possible.

Councilman Green: And it's going to be more comfort food than hot dogs and hamburgers?

Mr. Brauning: Everything will be made from scratch. No frozen, no, nothing from a can so yeah, it will ...

Councilman Green: Alright. And there's a reason why I'm asking this is because in the past, you know, as you were aware or are aware, a lot of the bars have left. You know, that was at the request of the constituency. Bringing one back that is just going to be a bar is not what the community wants.

Mr. Brauning: Right.

Councilman Green: But they will understand that it's gonna be a bar type/grill. So once you do become operational, what would your sale of food versus liquor be? Would it be pretty even, or close to it, or ...

Mr. Brauning: From what we can tell, there's a pretty healthy lunch crowd in the area already. So that would certainly be a part of our efforts to try to capitalize on that, including the weekends, Saturday and Sunday brunch. There's lines out of every restaurant so as far as numbers go, ...

Councilman Green: I mean what are you forecasting (inaudible) hoping for?

Mr. Brauning: I would be tickled pink with say 35%, 40% ...

Councilman Green: Okay.

Mr. Brauning: ... food, largely on the basis of lunch and brunch. You know, early dinner kind of a crowd, where I think that's a very good possibility here in South Tucson. It's so close downtown.

Councilman Green: Oh, no, I think it's a great idea. You know, I think it's a great idea and thank you.

Mr. Brauning: Thank you.

Mayor Diaz: Thank you. Anybody else that would like to address the Council?

(No response from the audience)

Motion by Councilman Rojas to close the Public Hearing. Seconded by Councilman Green. Motion passed unanimously.

ITEM #09 – TRANSFER OF LIQUOR LICENSE APPLICATION, LICENSE SERIES #06 BAR LICENSE – ON SITE SALE RETAILER TO SELL SPIRITUOUS LIQUORS IN INDIVIDUAL PORTIONS FOR CONSUMPTION ON THE LICENSED PREMISES – ST. CHARLES TAVERN,

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Mr. Young: Mr. Mayor, based on the information you just heard and what's in the staff report, which I won't reiterate, the staff is recommending that you forward a positive recommendation to the State Liquor Board for the license transfer. I'd be happy to try to answer any other questions that you might have.

Motion by Councilman Rojas to forward a positive recommendation to the Arizona Liquor License Board. Seconded by Councilman Green. Motion passed unanimously.

ITEM #10 – STUDY SESSION: ECONOMIC VITALITY – CITY MANAGER UPDATE

Mr. Young: I'd like to ...

Mayor Diaz: Should we need a, do we need a motion to go into the Study Session?

Ms. Moreno: No.

Mayor Diaz: No? Okay. Thank you.

Mr. Young: We have a power point of about 12 slides that we'd like to walk you through, Mr. Mayor. And then we have a handout that we would leave with you and also make available to anyone in the audience who would like to have it (inaudible) the audience. But if you'll bear with me, I'd like to just make a verbal presentation with the power point first, and you gotta get all the heads out of the picture. We'll dim the lights so that it's a little more visible. What I want to do is just kind of talk to you about some of the tremendous potential for additional investment in South Tucson that I believe there is and that David Carranza, who has been with us almost two months now and has done a lot of work on this. He and I both believe that we have tremendous investment potential here in South Tucson. As you heard under the audit report, we have a very thin margin from the standpoint of revenues available and what it costs to run City operations. And if we can improve or expand our retail tax base in South Tucson, that will help with regard to our sustainability as a community. And it will also help us make sure that we can provide services that the public has a right to expect from their local government. And I would place particular emphasis, of course, on Public Safety; police and fire. We are heavily sales tax dependent in South Tucson, as you know. The total budget for the whole City is about \$10,000,000. And about half, I'm gonna round the numbers, about half of that, \$5,000,000 is our General Fund. The General Fund is what provides most of the basic services of the City that the public is used to accessing like Public Safety. Our General Fund, of that \$5,000,000, about half of it comes from locally generated sales tax revenues, about \$2,500,000. And that doesn't leave much of a margin. I anticipate that the budget, for example, for just Police and Fire alone next year will be in excess of that; maybe \$2,000,000 roughly, for Police and another \$800,000 for Fire. So that, already that expenditure (inaudible) for fiscal year '16 exceeds the amount of sales tax revenue available. Of course, the General Fund is not just sales tax or just, that's just the biggest piece of it. We also get State Revenue Sharing. And expanding our retail base will help with our shared revenue from the State as well. I'm of the firm belief that we need to be very strategic about this. And so what we wanted to do tonight is just talk about some of the opportunities we see at a conceptual level, not very

specific. And we're not asking the Council to make any decisions this evening, but I would like for you to provide us preliminary feedback, if you have it, and additional reaction to the three concepts that we're going to outline for you. And at the end of the presentation, all I'm asking the Council to do is just kind of provide me your lead to start to discuss this concepts publicly. For example, there will be a business form in May. And I would like to talk about these concepts with the business form, with your permission. And again, no specific decisions are being, a lot of this will require subsequent discussion, subsequent action. All we wanted to do this evening was kind of get the concepts out for you to start thinking about, for the community to start thinking about. I would call this kind of an emerging economic vitality vision for South Tucson. It's not the be all, end all. I want to get it out there for public discussion and feedback. Are we on the right track essentially. So there are three key aspects that are associated with, what the staff is thinking of. And as you can see, that's South Tucson highlighted. We're full encapsulated by the City of Tucson. And I should indicate that that particular slide was prepared pro bono for us by a local architect who has been involved in South Tucson. His name is David Garcia. He's with the ADG Architectural Services Group. He was kind enough to call up and offer to help us with the presentation so we're indebted to him for that. They are the architects who did the Madera business park across from Greyhound Park. He didn't do all of these, but he did do this particular one just so we could see our 1.2 square miles. That little jagged edge down at the bottom that goes along Interstate 10, I'll talk a little bit more about that when we come to the third aspect of this economic development vision that's starting to emerge. So there's kind of, I guess, three things that we want to do. You might call them values that underline what we're about to show you. First of all, we want to attract new investment in South Tucson and that's kind of a given. But secondly, we don't wanna do that at the expense of our existing retail base and our existing businesses in South Tucson. So we also want to work on strengthening and retaining, and maybe even expanding our existing businesses over time. And then thirdly, I think it's important for us to respect and be consistent with the history and the culture and the tradition of South Tucson. Not reinvent ourselves in a way that is not consistent with the place that we come from as a community, and that you come from as the residents of this community. So respect for our existing history, culture, tradition I think is really important as a value heading into this, as we attempt to attract new business investment in South Tucson. So, some of the specifics that we want to consider have to do with maybe creating a new redevelopment area in South Tucson down along Interstate 10 between 6th Avenue and the railroad track. Joel, if we could go to the next slide I think it might start to show that. There's quite a bit of vacant land, as you all know, down along Interstate 10. On that photo, the street on the left side is 6th Avenue. And what looks like a street on the right side is not a street. That's the railroad track. That's the eastern boundary of the community. And the highlighted area is a possible area that we could declare as a redevelopment district. And if we were to do that, we could create a tax incentive, under State law, for reinvestment and/or investment in this area. It would be a property tax incentive. And I'll talk a little bit more about that in a minute. We also, let's just stay there for a minute, one more minute, Joel, if you could. This area is included as one of the economic development opportunities in the County's proposed bond election for this current year. They'll have it in November of 2015. The City was successful in getting the County to include \$5,000,000 in the proposed bond election. And that would be under the, there would be 7 questions on that election. The one that talks about economic development, City of South Tucson has a \$5,000,000 package in that. And that \$5,000,000 would be available for infrastructure investment in this area that might also incent private development in the highlighted area between 6th Avenue on the west and the railroad tracks on the east, bounded by south, by Interstate 10 on the south. Now we could go onto the next slide, Joel. Within that redevelopment area, there is some existing development, some of which could be redeveloped. So it's not just vacant land. The old Spanish

Trail property is there. There are three hotels. There is a closed gas station, what you're seeing right at the corner of 4th Avenue and I-10. So, not only would it be new development opportunity, over time it would be redevelopment opportunity in some cases. And I think it's important to keep that in mind. Perhaps even the old motels could be redeveloped as part of a subsequently developed plan for what would take place on those properties. I want to talk a little bit about this redevelopment district and the development associated with it. It's under a mechanism called G Plan. Everybody calls it G Plan. That stands for Government Property (inaudible) Tax. And if we were to subsequently declare this as a redevelopment area, we have to first find that it's blighted. And I think it would be fairly straight forward for us to make that demonstration. We would come back to the Council subsequently and provide you with the specific report that makes the findings required under State law to declare this a redevelopment district. And if we were to do that, and it takes, this won't happen immediately, it takes about another year or so before you can actually utilize a district after you've declared it under State law. And there are certain findings that we have to make, which I'll, I think they are all doable. The incentive for people to invest in that area is a property tax abatement for up to 8 years. And the way it works is the properties acquired by the private sector deeded to the City. There are no property taxes if it's owned by the City. And we lease it back. That's why it's called a lease, the G Plan lease excise tax mechanism. And up to 8 years, they would not have any property tax. We would still be able to collect our sales taxes, which is important to us. Our property tax is not very substantial, as you all know, South Tucson. This then creates investment capacity for the private sector because free up property tax obligation can be used for debt service on going to the market to get financing for title improvements by the private sector on that property. We need to go a little bit slow on what we would allow there. You have the ability to be, to discriminate in a positive way with regard to what happens there. And going back to that fundamental premise about respecting our history, culture, tradition, we would have subsequent discussions about what might take place there. Perhaps we'd have design (inaudible). Perhaps we would have a visioning process with the Council and the community. And once we know kind of like, kind of what we would like to see happen there, at least in general terms, we would likely issue requests for proposals for development from the private sector for those locations. And we would take the proposal and recommend it to you that does the most for our community, is consistent with the parameters that we outline with regard to what we'd like to see happen in that location. Some of the things you might think about would be not more big boxes, necessarily, because we have those just to the east of us in the Bridges project inside the City of Tucson. We have them down at Irvington and I-19. I'm not sure we need more big boxes in South Tucson. But we do need a niche that embraces the spending power not only of our local community, but the larger Tucson community. The people who are going by us on Interstate 19 and Interstate 10, heading to Tucson Mall, Foothills Mall, Park Place, and all the other places that people come to Tucson to spend money, our neighbors in southeast Arizona. Quite honestly, our neighbors and friends and family in Mexico, there's tremendous potential value in the Mexican spending dollar in Tucson. And I think we should search to find a mix that embraces the spending power of the Mexican dollar. You might have a fashion district or something that, or a Mercado, so it's consistent with what South Tucson stands for and how we want to look and, to the market that we wish to embrace. So you don't have to take the first opportunity to develop it. And I want the Council to be clear on that. In fact, I think we should have quite a bit of discussion if we decide to move ahead with this after we declare the G plan. I think we should do that as soon as we can. Then have discussion about what we'd like to see there before we go out to RFP, and that we make sure that if a developer comes in, their positioned to do what you want to have done in this community. That does not have to be dictated to us. The second component of, I said there were three, so the first one is I-10 and 6th to the railroad tracks, the vacant property down on our southern boundary. That's our major

opportunity. But we also have two very wonderful viable corridors in South Tucson that we would want to strengthen as well. So the second aspect of this would be strengthening the corridors in South Tucson, in particular, 4th Avenue and 6th Avenue. Not that we would limit it to that, but those are the routes that people traverse when they pass through our community. South 6th Avenue, for example, is possibly if not the, one of, if not the most heavily utilized transporters in all of the Tucson system. So we need to build on that strength. South 4th Avenue, which you see a street scene of on this particular slide, is already a strong cultural and Mexican Food corridor for this community. We need to build on that. We don't want to do anything for the long-term that would cannibalize the existing businesses that we already have on 4th Avenue that are serving us well, serving the community well, and doing well. And so we would build on that cultural presence and our Mexican Food corridor, South 4th Avenue. But the truth is, there's probably about 30% vacant property on South 4th Avenue. So how can we incent others to start to invest in South 4th Avenue. You have one proposal in front of you tonight. Thank you for approving it. That's the sort of thing we wanna have. Not that particular use, necessarily, but we want to start to fill in the other vacant, or underutilized or properties that need to be reinvested along 4th Avenue. The second corridor, obviously, is South 6th Avenue. South 6th has a more diverse set of opportunities for the community. I happen to personally believe, and I'm not asking you to agree with me on this right now, but in South Tucson are a major locally-owned businesses. We already have a number of very good locally-owned businesses on South 6th. I think there's room for more. I am not against the chains coming into South Tucson, necessarily. We can generate sales tax from those and help with our long-term sustainability. But it would really be nice to have our own identity on both of these corridors, 4th Avenue and 6th Avenue, that says this is South Tucson. Maybe even distinct signage. And maybe even a corridor theme. I've heard several ideas in the time I've been here. And at some point, it would be nice for us to (inaudible) and say that's what we stand for, that's what we want to see in South Tucson. This particular route with the County bond election, potentially have additional investment capacity for pedestrian enhancements, both the greenway and the (inaudible) streets proponent of the County bond election. Of course, that bond election has to pass for us to be able to access that. And I'm not trying to say how people should vote 'cause that's not staff's place. In fact, we can't. But I will say it's really important to us, but more on that later. So imagine a South 6th Avenue, South 4th Avenue that have entry statements. When you come into 4th and 6th from Tucson on the north, or Tucson on the south, the City of Tucson both sides, it would be nice to know I'm in South Tucson. And this is a place with its own identity. And we already kind of have that on 4th Avenue. Less so on South 6th. But I imagine a system where when you enter our community, you know you're there. And that you want to stop and spend money while you're here. That's important to us. So finally, the third concept that I wanted to just expose you to and we have not discussed this with the City of Tucson, and I want to preface this by saying it will require a lot of discussion with the City of Tucson and, in fact, a partnership with the City, if they were to be open to it. But I think there may be some room for modest expansion of Tucson boundaries. Right now, South Tucson starts at 25 ½. So when you cross 22nd, you're not in South Tucson for three more, three and a half more blocks. And it would be nice if we could work with the City to expand our environs up to 22nd Street. A lot of work would have to be done. First of all, the City would have to be willing to de-annex it and allow us to annex it. But there's precedent for that. The southern and that jagged edge that I referred to on the first map down by the old Spanish Trail. That was de-annexed by the City of Tucson and annexed by South Tucson. There have been two de-annexations in that area down by I-10 over the years. One involved 17 acres and one involved 18 acres, so 35 acres down along our south boundary has been de-annexed by the City and annexed by South Tucson. So there is precedent for it. It becomes a business transaction with the City of Tucson. And the other important aspect of that is we would need to engage the residents,

particularly in those three blocks between 25 ½ to 22nd in a discussion with regard to whether or not they're willing to be part of the City of South Tucson. I happen to believe, I'm an optimist, we might be able to convince them that they will have better service if they come into South Tucson because our fire station is right here, our police station is right here. And we can respond more quickly, in my view, than the City of Tucson. And we may be able to provide some other services better than the City of Tucson. Plus, our property tax is less. So just, there's a community discussion that would have to be had with, and we don't wanna jam this down the City's throats or jam it down the throats of the residents. I also think we should consider asking the City to allow us to annex west to Interstate 10. As you know, our boundary is South 12th. There's vacant land between South 12th and I-10. A bunch of it is detention basins that belong to ADOT. But there are some buildable parcels in that area. And the other reason I would like to have that be the west face of South Tucson if we can convince the City to work with us is we can start to define our own identity just like on 4th and 6th when you come in you know you're in South Tucson. I would like to have an edge that represents the history and culture and tradition of South Tucson on our west side as well. The third area that I think we should at least talk about with the City is east to Park Avenue from the railroad track. I think that's a harder discussion. But I think we should put it on the table and at least consider discussing that with the City. Those grey outlines there are the areas that I am recommending you authorize us to start having discussions with the City about possibly expanding our boundaries at some point, at least evaluating that possibility. So that's what the grey outline is intended to be.

Councilman Rojas: Mr. Manager, would that be Kino Boulevard on the east side?

Mr. Young: Park Avenue.

Councilman Rojas: Oh, that's the railroad tracks and the bottom of the grey, and then Park Avenue on the ...

Mr. Young: Yes, sir.

Councilman Rojas: ... right side?

Mr. Young: Right. Yes, sir.

Councilman Rojas: Okay. And then ...

Mr. Young: It's not meant to be exact.

Councilman Rojas: Yeah. Right.

Mr. Young: It's just for discussion.

Councilman Rojas: I'm just trying (inaudible). And then on the north side is 22nd Street?

Mr. Young: Yes, sir. And on the west side it's supposed to be I-10 but it kind of, it overlaps I-10.

Councilman Rojas: Thank you. No, I just wanted to make sure. Alright. Appreciate it.

Mr. Young: So the reasons for considering that, obviously, is for us, it provides new commercial development opportunities, potentially strengthen our retail tax base, and additional employment opportunities. And obviously, increase retail tax, sales tax and property tax revenue. Again, we would have to, it would take a lot of process to do this. We'd have to work with the City and the residents every step of the way. Not just the residents, but the business owners in those areas. So, Mr. Mayor, members of the Council, those three concepts are what I wanted to show you tonight; a possible redevelopment area down along I-10, strengthening our two corridors, 4th and 6th, and considering the possible modest expansion of our boundaries to the north, the east and the west. And let me just say this and then I'll conclude and be happy to try to, David and I will be happy to try to answer any other questions that you have. The next steps would involve starting to discuss these concepts openly within the community, including it in the business form on May 21st with our own business community. We would start to outline processes for you to get more specific about what might happen, particularly down in the area along I-10 between 6th and the railroad. There are a lot of possibilities. But I think it's good for us to be very discriminating about what we want to have happen there. And I think you're in a position to do it. We would need subsequent discussion about that. And none of this would happen without subsequent specific actions by the Mayor and Council. So the staff would not get out ahead of you on that. You would have a discussion, you would get information. We would start to formulate some specific actions, including the establishment, perhaps, of that G plan as soon as we can, and come back to you for subsequent specific action, so you don't have to take any action tonight. All I really wanted to do was expose you to the ideas and indicate that I would like to start discussing these publicly with our community and with our potential partners. And Joel, can we pass out, we have a brief staff report that kind of goes over what I just did verbally, and a copy of the slide show for each of you. And then we have enough for anyone in the audience that would like to have a copy of the presentation for your own reference and discussion. So with that, having said that, Mr. Mayor, members of the Council, I'd be happy to try to answer any questions that you might have.

Mayor Diaz: Does anybody on the Council have any comments or?

Councilman Rojas: Mr. Mayor, I don't know if we need to voice out some suggestions for both the City Manager and his assistant here. If we, would you suggest not on this thing but just a comment that you, you can proceed with this particular concept?

Mr. Young: That would be wonderful.

Councilman Rojas: Do you want a motion to that effect? I'm ready to give it.

Mr. Young: I don't need a motion. (Inaudible) authorize and we can proceed ...

Councilman Rojas: Yeah, I'd ...

Mr. Young: ... (inaudible).

Councilman Rojas: ... like to move, move, authorize to proceed, you and your partner there, proceed as planned and give us another report. And I was gonna, do I have a second to the motion?

Councilman Green: Second.

Councilman Rojas: Okay.

Mayor Diaz: It's been moved and seconded.

Councilman Rojas: Moved and seconded, yeah. Call for question. Go ahead.

Mayor Diaz: (Inaudible) make comments.

Councilman Rojas: The what? The comment?

Mayor Diaz: Yeah, to make comment.

Councilman Rojas: Yeah, I just had one comment and, and it probably, this is a historical comment. Barrio Libre starts at 22nd Street. When they marked South Tucson, whoever was the surveyor, either they didn't get the right instructions or forgot that because historically, and he probably remembers here, originally, Barrio Libre started at 22nd Street south. Anything south of 22nd Street was Barrio Libre and that's South Tucson. And this is the way it should have been, it was supposed to have been. I have spoken to some residents there that definitely wanna leave the City of Tucson, for the reasons you mentioned. As a matter of fact (inaudible) petition, get petitions. I'll help you circulate 'em. I'll sign 'em three times. I said you can't sign 'em three times. We do things the right way. So, you know, and it's a given. As a matter of fact, it went all the way up to Park. But I don't have too much history on that. The reason I have history on 22nd Street is because I also have a friend that has property there. And he went looking for it and it was not on the City books. The reason it wasn't on the City books is because the City did not come over here until the, the City of Tucson did not recognize it until the '54, '55, 1954, '55, when they paved 22nd Street. And so some guy in Codes over there, City Codes in the City of Tucson said, "Well, no wonder. Your house is not there." Said, "No, it's not there." "Your house is not there because you guys were not, you know (inaudible)."

Mr. Young: Well, thank you for that piece of history. That's really important to the discussion. I didn't know that.

Mayor Diaz: All in favor of the motion signify by saying aye.

Motion passed unanimously.

ITEM #11 – REPORTS

Mr. Young: I have three items, Mr. Mayor, I kind of wanted to make you aware of. First of all, I already mentioned the bond election and we've sent you some material. There will be 7 questions. And if you go onto Pima County's website, they have a lot of information available about that bond election. (Inaudible) most important to us as a community or questions on economic development, library, and work force training because that's where the \$5,000,000 project that I mentioned. Parks and Recreation, that's for the Greenway Project (inaudible) for South Tucson. And there will be a question on public health safety neighborhood housing and we would potentially be able to, if that

were to pass, be able to access funds for neighborhood reinvestment and there's some street improvement money under the neighborhood (inaudible) streets (inaudible) program for. So I wanted you to be aware of that. Secondly, on June the 15th, I have asked the League of Cities and Towns to come and do a work session for the Council on some of the legislative changes that took place in the last legislative session that just concluded. And maybe give us all, myself included, a little refresher course on our roles and responsibilities and the function of local government. And the staff role versus the Mayor and Council's role and I think it might be a good reminder for all of us. So (inaudible) ask them to come down on June 15th. And then finally, we have our own election on May the 19th. I didn't realize until late last week that Pima County Elections does not routinely provide an informational pamphlet for this election. And we found that out when we called over and said, "When is the pamphlet coming out?" because I wanted our citizens to know, at least the qualified electors, the registered voters, there is an election on May 19th. And it's gonna be walk in polling place right here at the library, what the hours are. And to be able to see a sample ballot. And so Pima County wasn't planning to do that. So I am planning, by the end of this week, to send just a simple little two-page flier to our registered voters with information on the polling place, the date, the time, and on the back, they can just see the sample ballot so that we remind our citizens that there is an election and everyone is encouraged to vote. And with that, Mr. Mayor and members of the Council, that's my report.

Mayor Diaz: Okay. Thank you. Are there any more comments?

ITEM #12 - ADJOURNMENT

Motion by Councilman Rojas to adjourn the Regular Meeting. Seconded by Councilman Green. Motion passed unanimously. The meeting adjourned at 7:00 p.m.

Paul Diaz, Mayor

ATTEST:

Veronica Moreno, City Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Regular Meeting of the City Council of South Tucson, Arizona, held on the 27th day of April, 2015. I further certify the meeting was duly called and a quorum was present.

Dated this _____ day of _____, 2015.

Veronica Moreno, City Clerk