

Thank you very much for that welcome, and for being with us here today. I see many familiar faces here, which is wonderful, and I see some new faces too, which is very encouraging as well. Thank you all for coming.

Previous State of the City events in Scottsdale have been held in the evening; today's of course is a lunchtime event.

Previous events were held at the Scottsdale Center for the Performing Arts, today of course we are at the beautiful W Hotel Scottsdale.

Previous State of the City speeches have really been about hearing me talk; today's is really about supporting a great community program: Operation Fix It.

There is one more important difference to acknowledge. Previous events have been put together by city staff. While once again this event enjoys a tremendous amount of staff support, a new group has stepped up this year to help put it together. The Scottsdale Business Development Forum, led by Greg Patterson and Mark Dewane, stepped up this year to help make this State of the City Address something different, exciting and new.

Thank you to everyone who helped put this together and for your continued support of our community.

Part of the format change evident here is the desire to harness the power of this event through your generous participation to raise money for Operation Fix It,

which is a truly inspiring program that partners businesses and volunteers together to help the less fortunate in our community. More about that later in the program.

In addition, however, I think this new format adds some energy and some intimacy to this event. I hope you all get an opportunity to meet some new people. I encourage you to put those new connections to good use to help our community, or to help your business, or both.

For the next few minutes, I want to look in the rear-view mirror at 2012, and through the windshield at 2013. In Scottsdale, if you're in a place where you can safely look through the windshield and look in the rearview mirror simultaneously, you're probably stuck in a construction zone on Scottsdale Road.

Or, you're at the State of the City Address. Hopefully you'd rather be here.

Some great things transpired in Scottsdale last year, and more great things are ahead of us. Let's talk about a few of them.

Economics and finances are really the base of everything, so that's a good place to start.

Not long after I took the oath of office four years ago, Scottsdale was hit with a \$47 million deficit. After four years of responsible reforms, we have a solid budget and financial ratings that are second to none.

We successfully pursued a strategy of fiscal responsibility and made the tactical decisions necessary to stabilize municipal finances. Scottsdale city government is

leaner, more transparent in its operations and more financially sustainable than ever before.

As a city government, and as a community, Scottsdale is in excellent financial shape. At City Hall, our pencils remain sharp as we work together to keep spending down while maintaining the high level of services that Scottsdale residents and visitors expect and deserve.

Scottsdale employees deserve a lot of credit. 2012 continued an era of great changes for your city government. City employees faced changes in leadership, many faced changes in workload and changes in job responsibilities but kept one goal in mind – providing great service to the citizens of Scottsdale.

Employees under the City Treasurer were instrumental in achieving millions of dollars in savings for Scottsdale residents by refinancing bonds where possible to do so.

A refinancing of bonds issued in 2004 to finance capital investments, land acquisitions and other costs related to the McDowell Sonoran Preserve is projected to save taxpayers more than \$8 million during the next 13 years.

The city refinanced debt specific to three different community facility districts. That move saved residents who pay into those districts about \$4.5 million over the next several years.

Through the efforts of our city treasurer, city attorney and acting city manager, we were able to restructure and renegotiate a long-term lease for the Nordstrom parking garage at Scottsdale Fashion Square – a move that will save the city some \$30 million over the next fifteen years.

We resolved a dispute with the Arizona State Retirement System and saved \$1.5 million in the process. We also identified an error in sales tax paid to the state for water purchases, and were reimbursed more than \$560,000.

What's in store for 2013? I know the City Treasurer and City Attorney will continue to look for savings opportunities presented through refinancing debt or renegotiating old agreements to the city and the citizens favor.

I want to say a bit more about the leadership changes I mentioned.

We lost some key staff last year, including our fire chief and our water resources executive director. A lot of institutional knowledge left when those men departed for career opportunities closer to their families. But we were able to promote from within to hire our new Fire Chief Tom Shannon, and we attracted a very experienced water administrator, Brian Biesemeyer (BEES meyer) from the other side of the Valley. These were both first rate hires who will be a big part of leading our city forward.

Of course that's not the only leadership void to be filled. As most of you know, Scottsdale is looking for a new city manager.

It is the most important executive position within our professional executive team, and finding the right professional chief administrative officer will be a real priority this year.

Dan Worth, our acting city manager since last July, has been doing an excellent job under his interim leadership. The city and its employees are accomplishing great things. But Dan only took the title "acting" city manager. So we are now

engaged in a nationwide search to find a candidate that will meet our requirements in managing our great city and serving our citizens.

We will hire someone with a head for business and a heart for service. Someone who understands smart spending and responsive service delivery. A leader who can engage and excite our work force, and connect with this community.

Scottsdale is a great place, and we know it can be even greater.

Speaking of getting better, I would like to shift focus for a few minutes to Scottsdale's business climate and its overall impact on our city.

In the last year we have become more focused on positive economic development, marketing our city in new ways and smoothing the path for businesses in Scottsdale.

Scottsdale has clearly emerged as a hot destination for technology and software companies who are choosing downtown, the McDowell Road Corridor, the "Cure Corridor" on Shea Boulevard, and the Loop 101 - Airpark in growing numbers.

Yelp has continued to grow its Scottsdale location, and this last year Jobing – parent company to Jobing.com – moved its offices from Phoenix to SkySong.

CA Technologies, Yodle, McKesson, Tallwave – these are all companies who have moved into downtown or significantly expanded their presence there in 2012.

The urban vibrancy in southern Scottsdale is attractive to these companies and the hundreds of technology workers they bring. These companies absorb available commercial space and residential housing, which in turn contributes to demand for new space and for supporting businesses and services.

In recent months Scottsdale's Downtown and McDowell Road corridor have attracted more than \$1 billion of business investment. With every job that comes with that investment the more vibrant the area and its economy becomes.

At SkySong, the original buildings are leased up so that SkySong 3 is now pre-leasing and expected to begin construction soon. SkySong's new luxury apartments are under construction on site, and local businesses are expanding in anticipation of new demand.

Downtown continues to be a center of attention and activity, where hundreds of millions of dollars in private investment are bringing more people and energy to the area.

Optima Sonoran Village is a high-end project nearing completion, and its beautiful, progressive design is already garnering more attention and acclaim for downtown Scottsdale.

The City Council recently approved the exciting addition of Mercedes-Benz at a new location near Scottsdale Fashion Square. It's great to have a luxury brand like Mercedes-Benz back in Scottsdale. It's a perfect fit for in our thriving downtown that will have a substantial positive economic impact.

It's a sign of the times in downtown Scottsdale, where the lifestyle has become a destination for people and for businesses.

It's easy to focus on the new things, but our existing spaces are thriving as well. The Scottsdale Galleria is really an amazing story of transformation and renewal. It represents a new hub of technology companies right downtown.

And of course one of our anchors remains Scottsdale Fashion Square, which just seems to get better with age.

International brands are choosing Scottsdale Fashion Square to introduce themselves to Arizona. Prada opened their first store in the southwest in February, followed shortly by other fashion icons Rebecca Taylor and Madewell, part of J. Crew, who opened their first Arizona stores in the mall as well.

And let's not forget about Tesla Motors, which opened a unique storefront operation as their first Arizona store in July.

Scottsdale is an international brand, and our brand will be further enhanced around the world as we continue to work hand-in-hand with all of our sister cities to foster a greater exchange of tourism and business development.

Whether it's international golf tournaments with our sister city of Haikou, China or economic development opportunities in Alamos, Mexico we are working hard towards mutually beneficial projects that we hope to share exciting news about in 2013.

The coordination and collaboration between the Scottsdale Business Development Forum and the Kelowna Scottsdale Business Council is already making headlines.

Kelowna, British Columbia is a beautiful city just a few hours inland from Vancouver. The relationship between the cities and these organizations was established a year ago and has grown networking for business opportunities on both ends as a result of a January visit by 25 Canadian business people.

There are some specific discussions underway for our medical and bio-science industries such as TD2 and Mayo. And connections are developing on resorts, golf and even car shows.

The president of Royal Bank of Canada – John Taft – came to speak of financing for the American/Canadian connection.

I touched on medical and bio science, and would like to recognize some other activity in that area. Technology and software companies like Jobing and Yelp are young, hip and exciting.

But the strong and often silent types like Scottsdale Healthcare, and TD2 are not only driving our economy, they are developing processes, treatments and partnerships that will positively impact humanity. And they are doing it right here in Scottsdale.

TD2 – which for those who don't know is the drug development arm of TGen – has been working in partnership with Scottsdale Healthcare and Mayo Clinic for years. The breakthroughs that these scientists, physicians and researchers have made in cancer diagnosis and treatment have been truly remarkable.

New partnerships should continue along that amazing path. TD2 recently announced a relationship with FORMA Therapeutics, a Massachusetts company that is a pioneer in oncology treatments with small molecule drugs.

I am hopeful that their work together will continue the record of success that is making Scottsdale's Cure Corridor a place where miracles actually happen.

Bio-technology in Scottsdale doesn't just happen on Shea Boulevard – the Scottsdale Airpark is home to leaders in that industry as well as others.

In 2012 West Pharmaceuticals expanded their operations in Scottsdale. It's one of those companies whose products you have probably benefited from, even if you may not know their name. They have been manufacturing syringes and other medical accessories in Scottsdale since 1967.

In the next five years, they will invest \$34 million to expand and modernize their facility while adding 100 new bio-science jobs.

In the past couple of state of the city addresses, I have welcomed and recognized other bio-science companies in the Airpark. Specifically Global Dental Science and Global Med – two industry leaders who are maximizing modern technology to offer medical services in entirely new ways.

They are both achieving wonderful success here in Scottsdale.

Global Med has for the second consecutive year been named to Inc. Magazine's list of the nation's 500 fastest growing private companies. In 2012 Global Med climbed into the top 100 fastest growing companies at No. 95 and into the top 10 of healthcare companies at No. 7.

Global Dental's "Digital Dentures" continue to shake up that industry, to the benefit of patients across the country and around the world.

But the Airpark of course is home to many different companies from many different disciplines.

Just over one year ago Scottsdale welcomed Guardian 8 to the Airpark. A new kind of professional security device manufacturer, Guardian 8 chose Scottsdale. Their product is earning new patents, and they just announced their first international order.

There is a theme developing here. New ways of thinking about old problems. Fresh ideas. Energy. Innovation. All of these things are core parts of Scottsdale's heritage and our community character.

In the years ahead, we will build on this activity. There is a tremendous amount of synergy among these kinds of companies and a community like Scottsdale. Together we create places and experiences that attract bright minds, who in turn push themselves and the community to make the future even brighter.

I would like to take a moment to recognize one of those bright young minds. A while back I received a very strong worded letter from a young Scottsdale entrepreneur. Sixteen year old Leo Blavin decided to take me to task because of Scottsdale's decade's old ban on his business, ice cream trucks. If you would bear with me, I thought I would embarrass Leo a little bit, and maybe myself, by reading his letter to you.

Dear Mr. Mayor,

As a youth member of Scottsdale I was shocked to see that the business I planned on starting in Scottsdale was in fact illegal. I was hoping to start an Ice Cream Truck business in my local neighborhood of Arcadia. The permit for the city of Phoenix is rather easy to obtain however in the great city of Scottsdale such youth entrepreneurship is outlawed. For a pro-business mayor I was shocked to see that

such business ventures as food trucks and other street vending is illegal. Children across the country love the daily Ice Cream Truck visit. Yet in Scottsdale "The Most Livable City" such a fond childhood aspect is outlawed. I was hoping that as mayor you could look into such an anti-business zoning law and possibly rectify this ordinance. Please let me know if I must take further steps to possibly help ratify this problem.

Sincerely, Leo Blavin, 16 years old

As I am sure you can all imagine, his letter caught my attention. So, I met with Leo and his father Paul and together we set ourselves on getting the ban lifted. After many months of public outreach I am happy to announce that "Leo's Law" will finally be before the City Council on April ninth.

While I am not sure whether or not the ordinance will pass given some of the comments made by folks diametrically opposed to the ice cream man, I think we should all give Leo a round of applause for not only starting his own business at such a young age but for pushing his hometown to changes its laws.

Stand up Leo.

Is anyone else hungry for ice cream right now?

In the past month, Scottsdale has been on display for the world to see.

Attendance at the 2013 Barrett-Jackson collector car auction broke the 300,000 mark for the first time, and a million more watched on television.

The greatest show on grass returned to TPC Scottsdale as Phil Mickelson almost broke 60 to the delight of the fans at the most attended event on the PGA Tour. As he went on to win our Open with an approving local crowd, it may help to get Phil to come back to Scottsdale as an Arizona resident.

Come home, Phil.

The Scottsdale Arabian Horse show was back, and bigger & better than ever. Tens of thousands attended, and while the event wasn't on television, it certainly continued to attract worldwide attention to the west's most western town.

Even with the amazing technology, software, bio-science and other industry leaders who choose Scottsdale, tourism will always remain a lynchpin of our identity and of our economy. This is no accident.

We have invested and will continue to invest voter-approved bed tax dollars to bolster our tourism venues and events.

We are halfway through the expansion and modernization of the Tony Nelssen Equestrian Center at Westworld. Once this event season concludes, work will restart so that by the end of 2013, we will have a fully enclosed and climate controlled event center worthy of the world-class events held there.

Of course that means the giant tent at WestWorld will be up for sale. So if any of you blimp owners in the audience are looking for a spot to park your airship, give us a call.

This project marks the first use of the Scottsdale bed tax dollars dedicated to tourism infrastructure authorized by voters in 2010. This could not have

happened without the participation and partnership of the Arabian Horse Association of Arizona, the Arizona Quarter Horse Association and the Barrett-Jackson Collector Car Auction. They all committed money to help get the project built.

This project is an example of the importance and impact of investments in tourism infrastructure.

Another example is the new agreement the city reached with the TPC Scottsdale and PGA Tour to renovate our signature golf course, home to the Waste Management Phoenix Open.

By committing bed tax dollars to improve the stadium golf course and clubhouse, we lock-in a PGA Tour event at the facility for the next nineteen years along with its vast media and advertising exposure.

These are smart investments in our core assets. The international exposure generated by these facilities and the events they bring defines Scottsdale to the world – in an incredibly positive way.

I would be remiss, of course, on the eve of Spring Training 2013 if I did not congratulate Scottsdale's spring partner, the San Francisco Giants – Major League Baseball world champions for the second time in three years.

I hope you've bought your tickets, because most of their Spring Training games are already sold out.

In the year ahead, we will continue to assess and explore other ways that we can add to the Scottsdale experience, and strengthen our attractiveness to the millions of tourists and potential tourists that help drive our economy.

We're giving it a very thorough look as part of a five year hospitality and tourism strategic plan. Creating that plan has been a group effort, and I want to thank the more than 200 community leaders and stakeholders who have lent their time and expertise to crafting this shared strategy.

It contains dozens of objectives to strengthen and invigorate the tourism industry that is so important to Scottsdale. Moving forward on these will be the work of many. Many in this room may be involved – it will be important work for the year ahead.

That five-year plan specifically identifies downtown Scottsdale as an elemental part to the future growth of tourism here.

We have an active, vibrant downtown with a lot to offer – it's truly an asset for us.

However, with this vibrancy have come complications. With somewhere between 15 and 20 thousand visitors to our downtown on an average weekend, it is not hard to imagine the diligence we must employ to ensure that the area remains clean, safe and fun.

Over the last two years, we have worked hard to ensure that downtown Scottsdale remains the entertainment capital of Arizona. We passed one-of-a-kind littering laws and set mandatory minimum fines for those that get too out of hand. We encouraged the downtown bars to form an association, which now works closely with the city to pick up trash after our busy nights.

The Downtown Entertainment District Association even created a fund that they now use to help make repairs all across the district. I want to thank them for stepping up to the plate and working with us to improve the downtown experience.

But, sadly, none of these positives steps stopped the brutal and violent murder of Tyrice Thompson.

As I am sure all of you are aware by now, Tyrice was a remarkable young man with an incredibly bright future ahead of him. He was a father, a son, brother and friend – and his death was senseless and unacceptable. Tyrice worked as Civilian Security Officer at a bar just down the street.

In the performance of his duty to protect the welfare of those law-abiding citizens enjoying all that downtown has to offer, Tyrice stepped in to break up a fight and in doing so was viciously attacked. A brave act that cost him his life.

As Mayor of Scottsdale, it is my responsibility to do everything I can to keep Scottsdale the number one place to live, work and play. And, in order to accomplish that goal, Scottsdale, first and foremost, must be safe.

So, following the brutal attack of Tyrice, I called for a meeting between bar owners, the Scottsdale Police Department, Code Enforcement and city staff to evaluate new ideas on ways to improve the overall safety of our nightclub establishments.

While I won't go into specific details here, our initial meeting brought forth some very solid and practical ideas that we will implement as soon as possible. Making things better will take continued partnership and commitment on behalf of the

city and downtown businesses – and I am absolutely confident that everyone involved will do their part.

I promise that the city will take every reasonable measure possible to ensure the safety and viability of our downtown.

As much as we have invested, and will continue to invest in our tourism infrastructure and plans, let's not forget about the majestic natural beauty with which Scottsdale is blessed.

We have invested in that too. In our latest land acquisition last November, we combined our citizen-approved dedicated sales tax dollars with \$16 million in state grant money to add 10 square miles to the Scottsdale McDowell Sonoran Preserve. Working with our legislators John Kavanaugh and Michelle Ugenti we were able to protect the grant funds used in this purchase from a state sweep.

With that, the preserve now spans 27,800 acres – more than 43 square miles. It is now connected to the 3 million acre Tonto National Forest, a milestone that ensures a sustainable wildlife population for generations to come.

By leveraging state grant funds over the last four years we have been able to save the city more than \$78 million while extending the purchasing power of local sales taxes dedicated to expanding the preserve.

But that was not guaranteed. One of our biggest successes of 2012 was protecting the will of the voters by protecting those state land grant funds from being swept by the legislature for other purposes.

We're doing more than buying land in the preserve – we are continuing to improve access as well.

Last October, we opened the Tom's Thumb trailhead. This new facility blends beautifully with the natural northern slopes of the McDowell Mountains. It provides access the northern reaches of the McDowells through five miles of new multi-use trails, including the Marcus Landslide Interpretive Trail.

Construction of the Brown's Ranch Trailhead is underway. That facility will help people explore the northern reaches beyond the McDowell Mountains when it opens in the fall of 2013.

Before I leave the subject of investment, let's talk about a key question that will come before the City Council and eventually before the citizens of Scottsdale. Whether or not to invest in basic service infrastructure needs across the city through a bond election.

A citizen bond task force has been hard at work over the past several months, helping sort through the wants and needs as presented by city staff and other organizations. I want to thank Chairman Bill Heckman and all of the citizen volunteers for the time they put into that important process.

The next step is deliberation and potential action by the council to call a bond election so the voters can decide whether or not to fund these projects. As that process continues, I hope that each of you will stay engaged and be well informed so that if and when a bond election is called, you are making an educated decision as a voter.

Another important city process is underway as well - the 2014 General Plan. Earlier this month, 100 Scottsdale residents participated in a visioning town hall to draft a new vision statement for Scottsdale's future.

Crafting a draft vision statement through the Town Hall process was just the starting point. There will be significant opportunities for widespread citizen involvement as the General Plan process moves forward, culminating in a possible public vote in November 2014.

The general plan is Scottsdale's blueprint for the future, and I hope each of you will learn more about it, and offer your input. There will be many opportunities to do so.

I am very excited for 2013. After listening to these remarks, I hope that you are excited too.

Scottsdale remains an enviable place to live and work. Generations before us have laid the foundation, and we have continued their work. We have inherited greatness, and we will make it even greater.

One of our strengths has always been our neighborhoods. Scottsdale is a wonderful place to visit, no doubt. But there is something truly special about living in Scottsdale. And that comes from the people and the sense of community you will find in our neighborhoods.

That's why today's event supports Operation Fix It. As I alluded to earlier, this program is about neighbors helping neighbors.

Occasionally people fall on hard times. And in a community – in a neighborhood – when that happens, people step up and help out.

When someone is having difficulty maintaining or repairing their property, due to illness, age, finances, or other reasons, Operation Fix It is there. It was originally started by our code enforcement officers who recognized that sometimes they were asking people to correct violations who simply did not have the ability or means to fix them.

So city employees stepped up, as they often do, and soon volunteers stepped up as well. And donations of materials were sought from local businesses, who also stepped up. Let's take a look.

<VIDEO VIGNETTE>

The program has been successful – but like many things of this nature, there is more demand than we have resources.

So that's why we're using today's event as a fund raiser for this program. And I am very excited to announce that as of this morning, we have raised \$XX,XXX for Operation Fix It.

But wait – there's more.

<CHECK PRESENTATION FROM HENKEL>

This money will allow us to expand the reach of Operation Fix It to help even more people in need. Thank you so much for your support of this program, and of Scottsdale's neighborhoods.

If today has inspired you to donate your time, or materials, or even some more money, I encourage that as well.

This is my fifth state of the city address, and if I have learned anything, it is to end on a high note.

As you can see, there are many reasons I am excited about the year ahead.

Our community's collective vision, spirit and willingness to roll up our sleeves and get things done sets us apart from most other communities.

Let's continue that spirit in 2013.

Working together, collaboratively, to solve our problems and reach new heights, we will make this next year one of Scottsdale's best.

Thank you.