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#### CALL TO ORDER

[Time: 00:00:03]

Mayor Lane: GOOD AFTERNOON, EVERYBODY. I WOULD LIKE TO CALL TO ORDER OUR MARCH 5th, 2013 REGULAR MEETING. IT'S APPROXIMATELY 5:15 AND WE WILL START WITH A ROLL CALL NOTING THAT WE HAVE COUNCILWOMAN LINDA MILHAVEN BY PHONE, BUT SHE WILL RESPOND TO THE ROLL CALL.

City Clerk Carolyn Jagger: THANK YOU YOUR HONOR. MAYOR JIM LANE.

Mayor Lane: PRESENT.

City Clerk Carolyn Jagger: VICE MAYOR SUZANNE KLAPP.

Vice Mayor Klapp: HERE.

City Clerk Carolyn Jagger: COUNCILMEMBERS VIRGINIA KORTE.

Councilmember Korte: HERE.

City Clerk Carolyn Jagger: BOB LITTLEFIELD.

Councilman Littlefield: HERE.

City Clerk Carolyn Jagger: LINDA MILHAVEN.

Councilwoman Milhaven: HERE.

City Clerk Carolyn Jagger: GUY PHILLIPS.

Councilmember Phillips: HERE.

City Clerk Carolyn Jagger: DENNIS ROBBINS.

Councilman Robbins: HERE.

City Clerk Carolyn Jagger: ACTING CITY MANAGER DAN WORTH.

Acting City Manager Dan Worth: HERE.

City Clerk Carolyn Jagger: CITY ATTORNEY BRUCE WASHBURN.

City Attorney Bruce Washburn: HERE.

City Clerk Carolyn Jagger: CITY TREASURER DAVID SMITH.

City Treasurer David Smith: PRESENT.

City Clerk Carolyn Jagger: CITY AUDITOR SHARRON WALKER.

City Auditor Sharron Walker: HERE

City Clerk Carolyn Jagger: AND THE CLERK IS PRESENT.

Mayor Lane: THANK YOU. JUST A COUPLE ORDERS OF BUSINESS. WE HAVE CARDS IF YOU WOULD LIKE TO SPEAK ON ANY ITEM OR FOR PUBLIC COMMENT, THE WHITE CARD, AND IF YOU WOULD LIKE TO WRITE COMMENTS DOWN ON ANY ITEM ON THE AGENDA, THERE IS ANOTHER CARD. THE AREAS BEHIND THE COUNCIL AREA ARE RESERVED FOR COUNCIL AND STAFF BUT WE HAVE FACILITIES OVER HERE TO MY LEFT UNDER THE CLEARLY MARKED SIGN FOR YOUR CONVENIENCE. LET'S START WITH A PLEDGE OF ALLIANCE. I WOULD ASK COUNCILMAN DENNIS ROBBINS TO LEAD US.

**PLEDGE OF ALLEGIANCE**

[Time: 00:01:39]

Councilman Robbins: PLEDGE OF ALLEGIANCE

**INVOCATION**

Mayor Lane: THANK YOU. I DO NOT HAVE SOMEBODY TO GIVE AN INVOCATION, SO I ASK THAT WE TAKE A MOMENT OF SILENCE FOR THOSE THROUGHOUT THE WORLD WHO AREN'T FOR MIGHT BE HERE IN THE CITY OF SCOTTSDALE AND MAY BE SUFFERING OTHERWISE. THANK YOU.

**MAYOR'S REPORT**

[Time: 00:02:47]

Mayor Lane: I'M VERY PLEASED TO ANNOUNCE AND THAT THE SCOTTSDALE UNIFIED SCHOOL DISTRICT HAS 30 NATIONAL MERIT FINALISTS, AT LEAST ONE FROM EVERY PUBLIC HIGH SCHOOL IN SCOTTSDALE. I WANT TO CONGRATULATE ALL OF THE HARD-WORKING STUDENTS IN RUNNING FOR THAT TITLE OF NATIONAL MERIT SCHOLARSHIP, SO CONGRATULATIONS TO ALL OF THEM AND TO THE SCHOOL DISTRICT FOR THAT KIND OF RECORD. I UNDERSTAND FROM THE SCRIPT HERE, MR. WORTH, THAT YOU DO NOT HAVE A REPORT THIS EVENING.

Acting City Manager Dan Worth: MAYOR, THAT'S CORRECT.

Mayor Lane: THE NEXT ORDER OF BUSINESS WOULD BE FOR PUBLIC COMMENT. IT IS RESERVED FOR CITIZEN COMMENT REGARDING NON-AGENDIZED ITEMS OF WHICH NO ACTION WILL BE TAKEN. WE HAVE LIMITATION OF THREE MINUTES PER SPEAKER AND A MAXIMUM OF FIVE SPEAKERS AND THERE'S ANOTHER OPPORTUNITY AT THE END OF THE MEETING IF THERE ARE CARDS SUBMITTED FOR PUBLIC COMMENT. THERE IS ONE CARD AND IT'S FROM FORMER COUNCILMEMBER WAYNE ECTON.

**PUBLIC COMMENT**

[Time: 00:03:59]

Wayne Ecton: THANK YOU MAYOR. I WANT TO SPEAK TO YOU ABOUT THE BOND BALLOT CONSIDERATION. THIS IS MAJOR ISSUE YOU WILL BE TALKING ABOUT AT THE FOLLOWING COUNCIL MEETING. THE CITY COUNCIL HAS AN IMPORTANT DECISION TO MAKE ON THE BOND BALLOT. I HOPE THEY WILL SUPPORT IT. THE BOND TASK FORCE WORKED DILIGENTLY FOR TWO YEARS DOING THE GRUNT WORK FOR CITY COUNCIL TO EVALUATE THE PROPOSED PROJECTS. THE MAIN REASON SCOTTSDALE IS THE PREMIER CITY IN THE VALLEY IS BECAUSE OF ITS ACCOMPLISHMENTS AND AMENITIES ACHIEVED WITH BOND FUNDS AND SURPLUS GENERAL FUND REVENUE. WITHOUT THE SURPLUS GENERAL FUND REVENUES, BONDS ARE THE ONLY WAY TO FUND THE SUSTAINABILITY OF OUR INFRASTRUCTURE UNLESS WE LOWER OUR SERVICE LEVELS. INFRASTRUCTURE MAINTENANCE S IS NECESSARY TO PROTECT TOURISM, VACATION, CONVENTION BUSINESS, AS WELL AS CONTINUING THE CITY'S WELL-BALANCED CULTURAL AND SOCIAL LIFESTYLE. THE IMPLEMENTATION OF AN UPDATED GENERAL PLAN IS LIKELY TO INCLUDE A WISH LIST WITHOUT FUNDING. THIS MEANS WITHOUT BOND FUNDS, ANY INFRASTRUCTURE NEEDS WILL BE COMPETING FOR FUNDS WITH THE GENERAL PLAN GOALS ON THE SURPLUS REVENUE. PLEASE SUPPORT THE BOND BALLOT THAT SENDS A MESSAGE TO THE RESIDENTS CONCERNED IN SCOTTSDALE'S FUTURE. THANK YOU.

Mayor Lane: THANK YOU COUNCILMAN ECTON. THAT IS THE EXTENT OF PUBLIC COMMENT THIS EVENING.

**ADDED ITEMS**

[Time: 00:06:06]

Mayor Lane: WE DO HAVE AN ADDED ITEM, SO WE HAVE SOME SUPPORTING MATERIALS FOR ITEM EIGHT THAT WERE ADDED TO THE AGENDA LESS THAN 10 DAYS, WHICH IS OUR REQUIREMENT TO BE DUE PRIOR TO THE MEETING. DO I HAVE A MOTION TO ACCEPT THE AGENDA AS PRESENTED OR CONTINUE THE ADDED ITEMS TO THE MARCH 19<sup>th</sup> MEETING.

Councilman Robbins: MAYOR, I MOVE TO APPROVE THE ADDITION.

Vice Mayor Klapp: SECOND.

Mayor Lane: MOVED AND SECONDED. NO COMMENTS INDICATED, AND WE'RE READY TO VOTE ON THAT ACCEPTANCE. IT'S UNANIMOUS TO ACCEPT THAT AS INDICATED.

## **MINUTES**

[Time: 00:06:48]

Mayor Lane: THE NEXT ORDER OF BUSINESS, WE ALL HAVE RECEIVED THE REGULAR MEETING MINUTES OF FEBRUARY 5<sup>TH</sup>, 2013. DO I HAVE A MOTION TO APPROVE THOSE MINUTES?

Councilman Robbins: SO MOVED.

Vice Mayor Klapp: SECOND.

Mayor Lane: MOVED AND SECONDED. THE MINUTES ARE APPROVED UNANIMOUSLY.

## **CONSENT AGENDA**

[Time: 00:07:15]

Mayor Lane: THE NEXT ITEMS ARE CONSENT ITEMS 1 THROUGH 11. WE HAVE NO CARDS OR TESTIMONY ON ANY OF THE ITEMS 1 THROUGH 11 AND IN COMMENTS INDICATED FROM THE DIAS. I WOULD ACCEPT A MOTION TO ACCEPT CONSENT ITEMS 1 THROUGH 11.

Councilmember Korte: SO MOVED.

Councilmember Phillips: SECOND.

Mayor Lane: MOVED AND SECONDED. NO ADDITIONAL COMMENTS OR THOUGHTS. WE ARE ALL READY TO VOTE. CONSENT ITEMS 1 THROUGH 11 ARE ACCEPTED UNANIMOUSLY. IF YOU ARE HERE FOR ANY OF THESE ITEMS 1 THROUGH 11, YOU CAN STAY WITH US OR YOU CAN EXIT QUIETLY. THE SAME I MIGHT SAY THE SAME CERTAINLY THE LAS AGUAS THAT HAS BEEN CONTINUED. MOVING ON, TO THE REGULAR AGENDA ITEMS THE FIRST ITEM WAS THE ITEM THAT WAS JUST CONTINUED THE LAS AQUAS REZONING.

## **ITEM 12 – LAS AQUAS REZONING**

[Time: 00:08:20]

Councilman Robbins: MAYOR, I DON'T THINK ANYBODY MADE A MOTION TO CONTINUE NUMBER 12 YET.

Mayor Lane: OH, I'M SORRY. VERY GOOD. THANK YOU VERY MUCH.

Councilman Robbins: I MOVE TO CONTINUE NUMBER 12, DO WE HAVE A DATE? THE 9<sup>TH</sup> I BELIEVE.

Mayor Lane: YES IT IS.

Vice Mayor Klapp: SECOND.

Mayor Lane: A MOTION IS MADE TO CONTINUE ITEM 12 TO THE MEETING OF APRIL 9th. WITH NO FURTHER COMMENTS ON THAT, WE ARE READY TO VOTE ON THAT ITEM. ALL THOSE IN FAVOR, PLEASE INDICATE AND REGISTER YOUR VOTE. THE MOTION IS APPROVE A CONTINUANCE WITH COUNCILMAN LITTLEFIELD OBJECTED, SO IT WILL BE CONTINUED TO APRIL 9.

IF YOU ARE HERE FOR THAT ITEM YOU CAN EXIT OR STAY WITH US FOR THE REST OF THE EVENING.

**ITEM 13 – CVS PHARMACY AT SCOTTSDALE AND MCDONALD NON-MAJOR GENERAL PLAN AMENDMENT AND REZONING**

[Time: 00:09:27]

Mayor Lane: THE NEXT ITEM WITH THAT CONTINUANCE IS ITEM 13, THE CVS PHARMACY AT SCOTTSDALE AND MCDONALD NON-MAJOR GENERAL PLAN AMENDMENT AND REZONING. WE HAVE BRAD CARR HERE FOR THAT PRESENTATION.

Senior Planner Brad Carr: THANK YOU MAYOR AND MEMBERS OF COUNCIL AND GOOD EVENING. THIS IS ITEM 13, TWO CASES, THE FIRST 5-GP-2012 THE SECOND 10-ZN-2012, BOTH FOR THE CVS PHARMACY PROPOSAL. THIS SITE IS LOCATED NORTH OF THE NORTHEAST CORNER OF MCDONALD DRIVE AND NORTH SCOTTSDALE ROAD. AS YOU CAN SEE HERE IT'S THE SOUTHERN EXTENSION OF THAT EXISTING HILTON VILLAGE SHOPPING PLAZA SOUTH OF AN EXISTING BANK, ON THE WESTERN SIDE, OFFICE BUILDINGS IMMEDIATELY FACING SCOTTSDALE ROAD AND FURTHER TO THE WEST, THE PARADISE VALLEY JURISDICTION. TO THE EAST ARE SOME EXISTING RESORT TOWN HOME TYPE DEVELOPMENT, TO THE SOUTH, ATTACHED SINGLE FAMILY RESIDENCES. A CLOSER AREAL, YOU CAN SEE THE SITE HAS AN EXISTING OFFICE BUILDING LOCATED ON THE SITE AND IT'S VACANT AND THE APPLICANT WILL BE OF COURSE RAISING THE BUILDING AS PART OF THEIR PROPOSAL TO REDEVELOP THE SITE. AGAIN, THE APPLICANT IS IN FRONT OF YOU FOR A NON-MAJOR GENERAL PLAN AMENDMENT FROM THE CURRENT DESIGNATION OF OFFICE TO COMMERCIAL AND ALSO A ZONING DISTRICT MAP AMENDMENT FROM COMMERCIAL OFFICE TO CENTRAL BUSINESS.

AS YOU CAN SEE HERE, THE SITE IS OFFICE LAND-USE DESIGNATION WITH THE PROPOSAL TO CHANGE THAT TO THE COMMERCIAL DESIGNATION TO TIE IN WITH THE HILTON VILLAGE SHOPPING CENTER TO THE NORTH. THE APPLICANT WILL BE REMOVING THE EXISTING DRIVEWAY THAT IS FURTHER NORTH

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OF WHAT IS SHOWN HERE AND RELOCATING IT FURTHER SOUTH TO ACCOMMODATE AN EASILY ACCESSIBLE ENTRANCE. THE FRONT ENTRANCE WILL BE FACING THE SOUTHWEST WITH A DRIVE-THRU LANE FOR PHARMACY PICK-UP ON THE NORTHEASTERN SIDE OF THE BUILDING. SOME DEVELOPMENT INFORMATION, THIS IS EXISTING OFFICE BILLING GOING TO A RETAIL PHARMACY USE, GENERALLY THE SITE IS ABOUT 1.5 ACRES, A BUILDING SIZE OF A LITTLE UNDER 13,000 SQUARE FEET. PARKING IS MORE THAN ADEQUATE AND OPEN SPACE MEETS THE REQUIREMENTS. THE PLANNING COMMISSION DID HEAR THIS CASE ON JANUARY 23<sup>RD</sup> AND RECOMMENDED APPROVAL BY A 5-0 VOTE. THAT CONCLUDES MY PRESENTATION. THE APPLICANT IS HERE TO GIVE THEIR PRESENTATION AND ANSWER QUESTIONS FOR YOU.

Mayor Lane: THANK YOU MR. CARR. IF THE APPLICANT WOULD LIKE TO MAKE A PRESENTATION OR WE COULD HEAR THE CARDS FIRST OR, EITHER WAY. MR. MORRIS.

[Time: 00:12:37]

Applicant Jason Morris: THANK YOU FOR THE RECORD, JASON MORRIS ON BEHALF OF CVS. IT'S A PLEASURE TO BE HERE. THIS IS SOMEWHAT UNUSUAL FOR CVS IN THAT THIS IS ACTUALLY ONLY THEIR SECOND GROUND-UP DEVELOPMENT IN THE CITY OF SCOTTSDALE. CVS HAS GROWN IN THE VALLEY PRIMARILY THROUGH ACQUISITION. THEY PURCHASED THE OSCO AND THE ECKERDS THAT WERE FORMALLY HERE. THIS IS SIGNIFICANT FOR CVS IS THAT THIS IS HOME FOR CVS CAREMARK. THE SCOTTSDALE CAMPUS HOUSES APPROXIMATELY 2,500 CVS CAREMARK EMPLOYEES. THE PLAN IS TO SEE THAT ON IN THE FUTURE. THIS IS AN IMPORTANT WESTERN REGIONAL HUB THAT THEY ARE ABLE TO RUN THE CVS LOCATIONS IN THE WESTERN UNITED STATES.

THIS SITE IS AT SCOTTSDALE ROAD AND MCDONALD ROAD, AND THIS IS PART OF A LARGER DEVELOPMENT, INCLUDING THE HILTON VILLAGE. THAT SITE WAS RECENTLY PURCHASED AND BECAUSE OF ITS EXISTING ZONING IT WON'T COME BEFORE THE COUNCIL OR THE DEVELOPMENT REVIEW BOARD. AS STAFF NOTED, THE SITE IS IMMEDIATELY NORTH OF THE HARD CORNER. WE ARE JUST NORTH OF THE EXISTING WELLS FARGO BANK, SO THE PROPOSAL IS A MINOR GENERAL PLAN AMENDMENT AS WELL AS REZONE TO INCORPORATE THIS SITE WITH THE HILTON VILLAGE. GOING CLOSER, YOU CAN CLEARLY SEE THE TWO OFFICE BUILDINGS. THEY ARE MULTISTORY AND HAVE A COURTYARD IN BETWEEN THE TWO BUILDINGS. THEY ARE ABOUT 25% LARGER THAN THE PROPOSED CVS BUILDING. IF YOU LOOK AT THE GENERAL PLAN, IT EXPLAINS THE GENERAL PLAN AMENDMENT THAT WE HAVE REQUESTED WHICH IS TO INCORPORATE THESE AND INCLUDE THIS SITE, SO YOU HAVE THAT COMMERCIAL INSTEAD OF OFFICE. THIS GOES TO THE EXISTING GENERAL PLAN TODAY THAT TALKS ABOUT THE CONSISTENCY OF CHARACTER BUT ALSO SPECIFICALLY REFERENCED THE REVITALIZATION AND REDEVELOPMENT EFFORT, AND YOU WILL SEE AN UPGRADE FOR ALL OF THE EXISTING BUILDINGS.

SIMILARLY THE SOUTH SCOTTSDALE CHARACTER PLAN SUPPORTS WHAT WE ARE PROPOSING AND STAFF HAS TAKEN SOME OF THAT LANGUAGE AND INCORPORATED WITHIN THE STAFF REPORT BUT TALKS ABOUT UPDATING AGING COMMERCIAL PROPERTIES AND THE REINVESTMENT AND REVITALIZATION ALONG SCOTTSDALE ROAD AND THE RESORT CORRIDOR. WE DISCUSSED THE ZONING AND THE REQUEST IS INCORPORATE C-2 AS IS THE CASE IMMEDIATELY NORTH OF THIS SITE. I REFERENCE THE SIZE OF THE OFFICE BUILDING. IT'S OVER 17,000 SQUARE FEET OF OFFICE. IT'S CURRENTLY VACANT. EVEN DURING THE LIFETIME OF THIS BUILDING IT WAS NOT A PARTICULARLY

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SUCCESSFUL OFFICE LOCATION BECAUSE SHORTLY AFTER THE DEVELOPMENT OF THIS BUILDING WE SAW THE DEVELOPMENT OF OFFICE IMMEDIATELY NORTH AT A MUCH LARGER SCALE, AND THIS 17,000 SQUARE FEET WAS ISOLATED AND THE TRAFFIC CIRCULATION AROUND THIS BUILDING ALSO IMPACTED THE SUCCESS OF THIS OFFICE BUILDING AREA IMPACTED THE SUCCESS OF HAVING THIS OFFICE BUILDING SHARING A RETAIL CORRIDOR. AS MANY OF YOU ARE AWARE, THE SUCCESS OF AN OFFICE BUILDING DEPENDS LARGELY ON BEING ABLE TO INGRESS AND EGRESS EASILY AND ALSO HAVING AMPLE PARKING THAT'S AVAILABLE. THIS WAS ESSENTIALLY AN OFFICE BUILDING WEDGED BETWEEN MORE RETAIL USES SO IT WAS NEVER ENTIRELY SUCCESSFUL.

BY THIS APPLICATION WE'RE ALSO ABLE TO IMPLEMENT SOME OF THE STREET DESIGN GUIDELINES THAT THE CITY COUNCIL HAS APPROVED. SPECIFICALLY, AS WE LOOK AT THE STREET DESIGN, THE EXISTING CONDITION TODAY ALONG SCOTTSDALE ROAD IS THE 5-FOOT WIDE SIDEWALK THAT IMMEDIATELY ABUTS THE ROADWAY. YOU HAVE A BUS STOP POLE WITHOUT A SHELTER AND MINIMAL PLANTINGS ALONG THAT AREA AND IT'S IMPORTANT TO NOTE THIS PARTICULAR AREA IS A DRAINAGE WAY. IT'S PART OF A DRAINAGE SOLUTION SO IT NEEDS TO BE A GOOD WIDTH AND WE'RE MAINTAINING THAT WIDTH BUT ABLE TO DO A LITTLE BIT MORE WITH IT. THE PROPOSAL ALLOW US TO DETACH THE SIDEWALK AND BRING IT FURTHER AWAY FROM THE STREET AND INCREASE THE SIZE OF THAT SIDEWALK TO AN 8-FOOT SIDEWALK AND PUT PLANTINGS ALONG BOTH SIDES TO PROTECT A PEDESTRIAN EXPERIENCE WHICH WILL BE IMPORTANT AS YOU SEE DEVELOPMENT OCCUR ON THE WEST SIDE OF SCOTTSDALE ROAD WHICH IS ALSO PROPOSED WITH SOME OF THE NEW REDEVELOPMENT OCCURRING ON THE WEST SIDE. THE SHADE TREES ARE IMPROVED AND YOU ARE SEEING A BUS SHELTER, THE NEW RETAINING WALL AND HAND RAILINGS AND OVERALL JUST A BETTER STREETScape.

[Time: 00:19:01]

IT IS WORTH REFERENCING SOME OF THE NEIGHBORHOOD CONCERNS. WE HEARD THEM AT THE PLANNING COMMISSION. I DISCUSSED THEM WITH THE NEIGHBORS. ONE OF THE CONCERNS IS PARKING AND CIRCULATION. I'LL BRING YOU BACK TO THE PREVIOUS EXHIBIT. THE EXISTING OFFICE BUILDING AND THE RELATION TO THE DRIVEWAY ON SCOTTSDALE ROAD, WHAT OCCURS, AS TRAFFIC PULLS IN AND OUT, DRIVERS WERE FORCED IMMEDIATELY TO GO NORTH OR SOUTH. THEY COULD NOT CONTINUE AND GO TO THE HILTON VILLAGE RETAIL SHOPS BEHIND THIS OFFICE BUILDING SO THE CIRCULATION WAS STILTED IN THAT EITHER THEY WERE ABLE TO GO AROUND, FINDING THEMSELVES IN THE DRIVE-THRU FOR THE BANK OR THEY HAD TO TRACK NORTH AND GO AROUND THE RESTAURANT BUILDING, SO IT WAS DIFFICULT TRYING TO GET THROUGH THIS PARTICULAR BOTTLE NECK. THE RE-DESIGN SHOWS THAT THE DRIVEWAY IS NOW ALTERED SO THAT YOU HAVE CLEAR SPACE AND CAN COME IN OFF OF SCOTTSDALE ROAD AND GO IMMEDIATELY TO EITHER THE BANK, THE CVS PHARMACY, OR THE RETAIL STORES ON THE EAST SIDE.

IN ADDITION TO THAT, BY VIRTUE OF THIS APPLICATION, WE ARE INCREASING PARKING, SO THERE ARE 5 NET SPACES GAINED WITH THIS PLAN WITH 21 SURPLUS PARKING SPACES AS STAFF REFERENCED. ANOTHER CONCERN THAT HAS BEEN RAISED IS TRAFFIC IN GENERAL. AS YOU ARE AWARE, THIS IS A BUSY INTERSECTION. HOWEVER, IT IS AN INTERESTING FACT THAT IN PARTICULAR INSTANCE SCOTTSDALE ROAD AT ABOUT 42,000 TRIPS PER DAY ALONG THIS SECTION IS ACTUALLY LESS THAN THE DESIGN CAPACITY 55,000. MORE INTERESTINGLY, FAR LESS THAN THE PEAK THAT WE SAW BEFORE THE OPENING OF 101, WHICH WAS 70,000 TRIPS PER DAY, A SIGNIFICANT DECREASE

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ALONG SCOTTSDALE ROAD. MCDONALD ROAD IS LESS THAN THE DESIGN CAPACITY BUT IS A WELL TRAVELED ROAD AS YOU GO EAST BUT NOT NECESSARILY WEST. THE OTHER FACT WE POINT OUT IN THIS SLIDE IS THE OVERALL TRIP GENERATION. THE EXISTING ZONING AS IT STANDS TODAY WITH THE GENERAL PLAN AND THE EXISTING ZONING, THE POTENTIAL FOR THAT CATEGORY ALLOWS 1,800 DAILY TRIPS THE PROPOSED CVS AT 1,998. IT'S A MINOR INCREASE AND WELL BELOW ALL OF THE LIMITS FOR THE ROADWAYS. ANOTHER CONCERN THAT WE HAVE HEARD IS JUST THE OVERALL BUSINESS DECISION TO PUT A PHARMACY IN THIS AREA.

IT'S BEEN MY EXPERIENCE THAT THE CITY COUNCIL DOESN'T NECESSARILY DICTATE HOW MANY OF ANY ONE SORT OF BUSINESS OCCURS ALONG THE CITY OF SCOTTSDALE BUT I WANT TO DIFFERENTIATE WHAT WE'RE TALKING ABOUT HERE. AT THE OUTSET I MENTIONED THIS IS ONLY THE SECOND CVS NEW BUILD IN THE CITY OF SCOTTSDALE, BUT THE REASON IT'S IMPORTANT FOR PATRONS OF CVS IS BECAUSE CVS HAS AGREEMENTS AND ARRANGEMENTS WITH PHARMACEUTICAL PROVIDERS THAT WOULD ALLOW AND PLANS CERTAIN CUSTOMERS ACCESS AND ADDITIONAL BENEFITS IF THEY ARE SHOPPING AND FILLING THEIR PRESCRIPTIONS AT A CVS, VISA VIE, A DIFFERENT PHARMACY. AN EXAMPLE OF THAT IS THE FEDERAL EMPLOYEES FROM THE DEFENSE DEPARTMENT, INCLUDING THE ARMED SERVICES AND ARMED FORCES, AND ANY OF THEIR RETIREES WOULD FIND A BENEFIT AT CVS THAT THEY WOULD NOT FIND AT COMPETING PHARMACIES. THEIR PLAN IS AT CVS WHICH IS WHY A CVS AT THIS LOCATION IS IMPORTANT TO AREA RESIDENTS BECAUSE THEY ARE TRAVELING SOUTH TO MILLER AND INDIAN SCHOOL ROAD. I HOPE I'VE COVERED BOTH THE LAND USE BUT ALSO THE CONSISTENCY AND CHARACTER OF THE TYPE OF DEVELOPMENT THAT WE'RE TALKING ABOUT AND THE NEED FOR THIS PARTICULAR USE, BUT ADDRESSING SOME OF THE CONCERNS WE'VE HEARD ABOUT TRAFFIC AND DRIVEWAYS. WE HAVE ANOTHER INFORMATION WE'RE HAPPY TO SHARE AND CAN ANSWER ANY QUESTIONS AND OBVIOUSLY TAKE SOME MUCH MY TIME TO ADDRESS SOME NEIGHBORHOOD CONCERNS. THANK YOU.

Mayor Lane: THANK YOU MR. MORRIS. WE'LL GO AHEAD TO PUBLIC COMMENT AND THERE MAY BE SOME CALL FOR QUESTIONS OF YOU AFTER THAT.

**PUBLIC COMMENT**

Mayor Lane: WE HAVE A NUMBER OF CARDS ON THIS TOPIC. REMINDING EVERYONE THERE IS A 3MINUTE TIME LIMIT. WE'LL START WITH TERRY O'NEIL AND FOLLOWED BY LEO BAUMAN.

[Time: 00:24:52]

Terry O'Neill: MAYOR, COUNCIL MEMBERS, THANK YOU FOR LETTING ME SPEAK. I'M TERRY O'NEILL AND I'M A RESIDENT OF SCOTTSDALE AND I LIVE ADJACENT TO THE SUBJECT PROPERTY. I HAVE BEEN INVOLVED IN THE COMMERCIAL REAL ESTATE BUSINESS FOR OVER 35 YEARS AND I'M OFTEN CALLED UPON TO BE AN EXPERT WITNESS IN COURT ON SUCH ZONING MATTERS. TONIGHT BEFORE YOU THERE'S ONLY TWO REQUESTS YOU ARE BEING ASKED TO VOTE ON. ONE, APPROVE A NONGENERAL PLAN AMENDMENT AND SUBSEQUENTLY APPROVE A REZONING ON THE SAME PROPERTY. JUST LIKE THE MAGICIAN THAT WANTS YOU TO WATCH THIS HAND. THE APPLICANT HAS TOLD YOU HOW PRETTY IT WILL BE AND HOW THE PARKING AND TRAFFIC WILL FLOW AND THAT'S BECAUSE THEY DON'T WANT YOU TO LOOK AT THE OTHER HAND, THE ONE THEY ARE TRYING TO SLIP BY YOU, THE ONE THAT ASKS QUESTIONS AS TO WHY THIS IS MINOR PLAN AMENDMENT AS OPPOSED TO MAJOR.



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WHAT WAS THE PURPOSE OF THE ORIGINAL GENERAL PLAN AND HOW THE PROPOSED CHANGE IN ZONING WILL AFFECT THE NEIGHBORHOOD. THEY HAVE TOLD YOU THAT THEIR BUILDING IS EMPTY AND IT'S A WOE IS ME, BUT ON THIS HAND THEY DIDN'T TELL YOU THAT THEY MOVED THE RESIDENCE OUT. THEY PHYSICALLY PAID TO HAVE THEM LEAVE THE BUILDING. THEY TOLD YOU THEY NEED THE INCOME FROM THE EMPTY BUILDING BUT THEY HAVEN'T TOLD YOU ABOUT YOUR INCOME, HOW IT WILL AFFECT THE CITY OF SCOTTSDALE. THE SMALLER BUILDING WILL GENERATE LESS THAN HALF THE PROPERTY TAXES AND LESS THAN A QUARTER OF THE POTENTIAL JOBS, FULL-TIME EMPLOYMENT THAT WOULD HAVE BEEN IN THE OLD OFFICE BUILDING HAD IT BEEN MARKETED. THE OLD ZONING UNDER CO IS DESCRIBED AS BEING A BUFFER ZONE BETWEEN THE COMMERCIAL AND THE RESIDENTIAL. THIS IS A MAJOR CHANGE TO GO TO A C2, WHICH, IN ITS DESCRIPTION, IT REFERS TO ALL OF THOSE PROPOSED USES IN A STANDARD C-1, PLUS THOSE THAT WOULD NOT BE AMENABLE TO A RESIDENTIAL NEIGHBORHOOD.

THEY ARE SAYING THEY ARE LOOKING FOR USES THAT COULD BE DOWN THE ROAD IN THIS NEIGHBORHOOD THAT THE RESIDENTS HAVEN'T HAD A SAY IN. COUNCIL MEMBERS, YOU HAVE GONE ON RECORD AS SAYING YOU HAVE A NEW GENERAL PLAN BEFORE US AND LOOKING FOR PUBLIC INPUT. HERE THEY ARE TRYING TO SLIDE THIS THROUGH WITH VERY LITTLE PUBLIC INPUT. IF NOTHING ELSE, THIS SHOULD BE ADJOURNED TO BE PUT IN PART OF THE WHOLE GENERAL PLAN, LOOK AS WE MOVE FORWARD WITHIN THE CITY OF SCOTTSDALE. THIS IS A MAJOR CHANGE AND THE TREASURY DEPARTMENT SHOULD HAVE MADE A REPORT TO YOU ON HOW IT WILL AFFECT SCOTTSDALE. I'M RUNNING OUT OF TIME I'LL TELL YOU THAT CVS WANTS TO BE ON THIS SITE FOR ONE REASON. WALGREENS IS ACROSS THE STREET. THEY WANT TO GIVE YOU THE ILLUSION THAT THEY ARE GETTING DRUGS AND PHARMACY BUT YET THERE IS 2 CVS UP THE ROAD. WATCH OUT FOR THE MAGICIAN. HE IS TRYING TO GIVE YOU SMOKE AND MIRRORS TONIGHT.

Mayor Lane: THANK YOU. NEXT WILL BE LEO BAUMAN FOLLOWED BY LANNY VAN EMAN.

[Time: 00:28:28]

Leo Bauman: THANK YOU. MY NAME IS LEO BAUMAN AND I'M HERE TO SPEAK ON BEHALF OF WELLS FARGO. MY RESPONSIBILITIES AS VICE PRESIDENT AND MANAGER IS IN CORPORATE REAL ESTATE IN WELLS FARGO AND I HANDLE IN ARIZONA ALL THE RETAIL STORES AND THE OFFICE REQUIREMENTS FOR ALL, CLOSE TO 15,000 OF US TEAM MEMBERS IN ARIZONA, OF WHICH THERE ARE CLOSE TO 1,000 TEAM MEMBERS THAT WORK IN THE CITY OF SCOTTSDALE. I'M HERE TO SPEAK IN FAVOR OF THE CVS PHARMACY PROPOSAL BECAUSE IT TIES OUR RETAIL BANK STORE INTO THE CENTER, PROVIDES A BETTER FLOW OF TRAFFIC. WHAT IS KEY HERE IS THAT CVS PHARMACY CUSTOMER IS A WELLS FARGO CUSTOMER, AND SO IT MEANS ONE TRIP, MULTIPLE DESTINATIONS. WE WELCOME THE ADDITIONAL PARKING THAT THE SITE PLAN WILL PROVIDE AND THE CIRCULATION THAT IT ALSO PROVIDES. AS AN ALTERNATIVE THERE WAS ANOTHER SITE PLAN THAT THE CITY PRESENTED AS AN ALTERNATIVE AND WE'RE OPPOSED TO THAT ALTERNATIVE AND THAT WAS TO CHANGE THE FRONT FACING ENTRY OF THE CVS AWAY FROM WELLS FARGO AND THAT CAUSED PROBLEMS FOR US. THE SITE PLAN THEY ARE PROPOSING IS THOROUGHLY THOUGHT THROUGH. I BELIEVE THE CVS PHARMACY SALES TAXES THAT THEY PRODUCE TO THE CITY WILL PROVIDE GREATER REVENUES THAN ANY DIFFERENCE IN THEIR REAL PROPERTY TAXES. THANK YOU.

Mayor Lane: THANK YOU, MR. BOWMAN. NEXT WILL BE LANNY VAN EMAN.

[Time: 00:30:47]

Lanny Van Eman: THANK YOU FOR THE OPPORTUNITY TO SPEAK. FOR OPENERS, I'M OPPOSED. I'M A NEIGHBOR AND I LIVE JUST SOUTH OF THE PROPOSED PLAN. FOR OPENERS, I WOULD ALSO SAY THAT I WAS HERE AT THE LAST MEETING AND THE ONE BEFORE THAT, AND IN THE LAST MEETING THERE WAS INACCURATE DRAWINGS PROVIDED FOR APPROVAL AND THEY WERE APPROVED, SO WE HAVE A REAL TRAFFIC PROBLEM GETTING OUT OF THE AREA AND IT'S GOING TO GET GREATER. THE ZONING IS PROBABLY A MAJOR THING AND DEVELOPMENT CAN COME IN A DIFFERENT WAYS. IT DOESN'T HAVE TO NECESSARILY BE A CVS. IT COULD BE ANYTHING, ESPECIALLY WHEN WE HAVE WALGREENS AND OTHER STORES CLOSE BY. AND THEY ARE ALREADY TALKING ABOUT HAVING DRIVE-THRU. MY CONCERN ALSO IS THE ZONING BECAUSE NO TELLING WHAT COULD END UP THERE SHOULD CVS SEE THIS AS A BAD DEAL AND MOVE ON. THE WAY THE ZONING COULD CHANGE, WE COULD HAVE MASSAGE PARLORS, ANOTHER GAS STATION, AND IT'S CHANGING THE COMMUNITY DRAMATICALLY. WE HAVE 55 UNITS AND I WOULD GUARANTEE YOU THAT 90% PROBABLY 100% ARE NOT ONLY OPPOSED BUT THEY ARE ANGRY. WE'RE NOT PROFESSIONALS AND WE DON'T KNOW HOW TO GET THROUGH THIS THE WAY THE PROFESSIONAL DEVELOPERS DO. SO IF NOTHING ELSE, IF YOU WOULD CONSIDER TABLING THIS SO WE COULD GET AT LEAST OUR PROPER REPRESENTATION, I WOULD BE DEEPLY APPRECIATED. THANK YOU FOR HEARING ME.

Mayor Lane: THANK YOU. NEXT WILL BE ARTHUR DOUGLAS CHAMBERS FOLLOWED BY MARY BAKER.

[Time: 00:32:54]

Arthur Douglas Chambers: I'M UP HERE TO ASK YOU TO VOTE AGAINST THE CHANGE IN THE GENERAL PLAN. I'VE LIVED IN ARIZONA, ACTUALLY LIVED IN MARICOPA COUNTY WHEN MY PARENTS MOVED THERE IN 1949 FOR A LONG TIME. I'VE SEEN SCOTTSDALE CHANGE. THIS IS ONE MORE STEP INTO GETTING RID OF THE UNIQUE CHARACTER OF SCOTTSDALE, MOVING IN MORE BIG BOXES AND MORE BIG COMMERCIAL THINGS, AND WE'LL BE JUST LIKE ANYWHERE ELSE IN AMERICA. DRIVE DOWN THE STREET AND YOU DON'T KNOW WHETHER YOU ARE IN ILLINOIS OR SAN FRANCISCO. WELL, NOT SAN FRANCISCO, BUT L. A. OR CHICAGO. THANK YOU.

Mayor Lane: THANK YOU, MR. CHAMBERS. NEXT IS MARY BAKER FOLLOWED BY JANIS VAN EMAN.

[Time: 00:33:54]

Mary Baker: I'M MARY BAKER AND I ALSO LIVE IN LOS VILLAS AND I AM ON THE BOARD THERE. THEREFORE I LISTEN TO THE PEOPLE IN MY NEIGHBORHOOD. LARRY IS RIGHT. WE HAVE A LOT OF UPSET PEOPLE, AND A BIG PART OF THAT CONCERN IS THAT YOU ARE ABOUT TO CHANGE THE FLOW OF SCOTTSDALE ROAD. IF THE ZONING CHANGES FROM C-0 TO C-2 IN THAT SHOPPING CENTER, WE WON'T HAVE A PLACE WHERE PEOPLE WALK THEIR DOGS, MEET WITH THEIR FRIENDS IN OTHER COMPLEXES, BECAUSE THERE'S A LOT OF COMMUNITY COMPLEXES THERE. WE MEET AT STARBUCKS FOR THE MOST PART BUT WE'LL HAVE A DIFFERENT KIND OF A FEELING, AND WE'RE VERY CONCERNED THAT A C-2 ZONING GIVES US A SITUATION WHERE EVERYTHING IS LESS PERSONAL AND LESS USER FRIENDLY AND MORE LIKE EVERY OTHER CITY IN THIS COUNTRY, LIKE MR. CHAMBERS SAID. THANK YOU.

Mayor Lane: THANK YOU. NEXT IS JANIS VAN EMAN FOLLOWED GORDON KEIG.

[Time: 00:35:32]

Janis Van Eman: THANK YOU FOR THE OPPORTUNITY OF WHICH I WAS NOT AWARE OF, BUT I WILL SAY THAT I HAVE WRITTEN TO EACH OF YOU. IF YOU HAVE READ THEM, IF YOU RECEIVED THEM AND READ THEM, WE KNOW WHERE WE STAND. I TOO AM A RESIDENT OF LOS VILLAS, AND I HAVE WATCHED THE CHANGES OCCURRING ALL AROUND US, ROAD-WIDENING, ET CETERA, EXTREME GENERATION OF TRAFFIC, AND THE COMPLEXION OF WHERE WE LIVE HAS BEEN COMPROMISED. SHOULD THIS GO THROUGH, IT WILL CONSIDERABLY COMPROMISE IT, FAR MORE THAN PERHAPS ANYBODY SITTING THERE COULD GIVE THOUGHT TO. I AM AGAINST THIS CHANGE IN THE ZONING AND WE COULD END UP WITH A STRIP CLUB ACROSS THE STREET IF WE GO TO C-2 ZONING, SO I ASK YOU, PLEASE, DO NOT GO FORWARD WITH THIS. THANK YOU.

Mayor Lane: THANK YOU. NEXT IS I BELIEVE, GORDON KEIG FOLLOWED BY LISA MARSHALL.

[Time: 00:36:55]

Gordon Keig: MY NAME IS GORDON KEIG, AND I RESIDE IN SCOTTSDALE. I TOO LIKE SOME OF THE OTHERS I'M AN ARIZONA NATIVE, AND I'M HERE TO SPEAK IN SUPPORT OF THE APPLICATION. I'M A RELATIVELY NEW RESIDENT TO THE CITY OF SCOTTSDALE. I GREW UP IN CENTRAL PHOENIX, BUT ONE OF THE GREAT THINGS THAT SCOTTSDALE RECOGNIZES AND THAT COUNCIL RECOGNIZES, IS TO IDENTIFY WHEN A PROPERTY IS OBSOLETE AND SUPPORT A REUSE OF PROPERTY, EITHER THROUGH DESIGN OR THROUGH AGE, THE PROPERTY IS REGENERATED AND REDEVELOPED. I RODE MY BICYCLE THROUGH DOWNTOWN SCOTTSDALE THIS WEEKEND AND THERE'S A FARMER'S MARKETS AND ALL SORTS OF OLD BUILDINGS BEING CONVERTED INTO NEW BUSINESSES AND THIS APPLICATION REPRESENTS A REVITALIZATION OF THE PROPERTY. CVS IS A GREAT CORPORATE CITIZEN OF SCOTTSDALE. I SUPPORT THE APPLICATION AND, QUITE HONESTLY, I WOULD SAY A DENIAL OF THIS APPLICATION WOULD ALMOST BE INCONSISTENT WITH SO MANY OF THE THINGS THAT I THINK I HAVE SEEN IN SCOTTSDALE, THE TIME I'VE BEEN A RESIDENT HERE, I THINK IT WOULD BE INCONSISTENT WITH THE SUPPORT OF ALL THESE OTHER REDEVELOPMENT PROJECTS IN CENTRAL SCOTTSDALE, SO I URGE YOU TO SUPPORT THE APPLICATION AND SUPPORT CVS. THANK YOU.

Mayor Lane: THANK YOU. LISA MARSHALL.

[Time: 00:39:11]

Lisa Marshall: GOOD EVENING, MAYOR, AND MEMBERS OF THE COUNCIL. I HAVE LIVED IN ARIZONA FOR OVER 35 YEARS AND IN SCOTTSDALE FOR 10 YEARS. EVEN BEFORE I LIVED IN SCOTTSDALE I FREQUENTED ITS BUSINESSES, ESPECIALLY SMALL, LOCALLY-OWNED PLACES LIKE MOST OF THE SHOPS IN HILTON VILLAGE. I HAVE EITHER BANKED, EATEN OR SHOPPED AT EVERY ESTABLISHMENT IN HILTON VILLAGE. I REMEMBER PAST BUSINESSES LIKE THE HONEY BAKED HAM STORE AND MANY BUSINESSES HAVE COME AND GONE OVER THE YEARS. SO WHAT HAVE I LEARNED OVER THESE 35 YEARS? I LEARNED THAT THINGS CHANGE. AND CHANGE IS OKAY. IN FACT, CHANGE IS NECESSARY. SINCE THE FIRST OF THIS YEAR I'VE TALKED WITH MOST OF THE BUSINESS OWNERS IN HILTON VILLAGE, AND

THEY NEED A GREATER DAILY TRAFFIC FLOW TO IMPROVE THEIR NUMBERS. THEY ARE HURTING. THEY NEED MORE BUSINESS. AND IN RESPONSE TO THE POINT THAT I'VE HEARD MENTIONED MOST FREQUENTLY, SO WHAT IF WALGREENS IS JUST DOWN THE STREET? THEY'LL COMPETE AND KEEP EACH OTHER HONEST. SURELY THAT'S OKAY TOO. THANK YOU FOR YOUR TIME THIS EVENING AND YOUR CONSIDERATION.

Mayor Lane: THANK YOU, MS. MARSHALL. THAT COMPLETES THE PUBLIC TESTIMONY WE HAVE ON ITEM 13. I'M NOT SHOWING ANY PARTICULAR QUESTIONS AT THE MOMENT, BUT THEY'RE NOW POPPING UP WITH A SMALL AMOUNT OF PROMPTING. COUNCILMAN ROBBINS.

[Time: 00:41:17]

Councilman Robbins: THANK YOU. LET ME ASK STAFF A QUESTION ABOUT THE RESIDENT CONCERNS ABOUT USES ALL OF THE CATEGORY OF USES WITH C -2 AND THAT INCLUDES, WHEN THEY REFERENCED MASSAGE PARLORS, GAS STATION, STRIP CLUB, I KNOW THAT CASES LIKE THIS ARE ALWAYS STIPULATED TO THE SITE PLAN SO OBVIOUSLY IF THERE WAS A DIFFERENT, SAY CVS WENT OUT OF BUSINESS, WHAT OTHER KIND OF INSURANCES DO THE RESIDENTS HAVE THAT IT WON'T BECOME A MASSAGE PARLOR OR GAS STATION OR SOMETHING LIKE THAT? WHAT OTHER KIND OF STIPULATIONS? I COULDN'T FIND ANY IN HERE THAT SAID ONLY CERTAIN USES COULD BE USED FOR THE BUILDING?

Brad Carr: YES. MR. MAYOR AND COUNCILMAN ROBBINS, YOU ARE CORRECT, THE CURRENT STIPULATIONS DON'T CONTAIN A STIPULATION RELATED TO A SITE PLAN, AS WOULD BE TYPICAL. THIS ONE DIDN'T HAVE THAT STIPULATION PLACED WITHIN THE STIPULATIONS. IN REFERENCE TO THE OTHER USAGE IT IS THAT YOU ARE NOTING AS POSSIBLE USES, MOST OF THOSE WOULD REQUIRE A USE PERMIT BEFORE IT WOULD COME BEFORE THE PLANNING COMMISSION AND CITY COUNCIL BEFORE THEY WOULD BE ALLOWED, BUT THERE ARE OTHERS THAT DON'T. THERE ISN'T ANY ASSURANCE THIS BUILDING COULDN'T BE TURNED INTO ONE OF THOSE USES THAT ISN'T ON THE USE PERMIT LIST IN THE FUTURE SAY IF CVS WERE TO LEAVE.

Councilman Robbins: WHY WOULDN'T WE STIPULATE TO THE SITE PLAN AS WE NORMALLY DO?

Current Planning Director Tim Curtis: MAYOR, MEMBERS OF THE COUNCIL, YOU COULD, THE PLANNING COMMISSION AND CITY COUNCIL OFTEN PUT SOME STIPULATIONS PERTAINING TO CONFORMANCE TO THE SITE PLAN, KEEPING IN MIND THAT IF THERE'S A STIPULATION THAT IS A CONFORMANCE TO THE SITE PLAN, IN THE FUTURE THERE WOULD LIKELY BE A REQUIREMENT FOR FUTURE OWNERS OF THE PROPERTY TO HAVE TO COME BACK TO THE CITY COUNCIL PLANNING AND PROCESS TO MAKE ADJUSTMENTS IN ORDER TO REVITALIZE OR REDEVELOPMENT OF THE PROPERTY. THE PLANNING COMMISSION HAS BEEN CAREFUL ABOUT MAKING RECOMMENDATIONS ON THE SITE PLAN WERE IT IS ONLY DEEMED NECESSARY. IN THIS CASE THERE'S STIPULATIONS PERTAINING TO THE AXIS POINTS. BUT ON A 1 ½ ACRE SITE THE RECOMMENDATION IS NOT TO STIPULATE THE SITE PLAN BECAUSE IT IS ADJACENT TO A COMMERCIAL CENTER. BY NOT STIPULATING TO THE SITE PLAN, YOU MAXIMIZE FLEXIBILITY AND OPPORTUNITY TO REVISE THE SITE PLAN AS DEEMED NECESSARY THROUGH THE DEVELOPMENT AND REVIEW BOARD PROCESS AS WELL AS FUTURE REDEVELOPMENT OF THIS SITE SO WE WOULDN'T HAVE TO GO THROUGH IT AGAIN. IT IS AN OPTION TO STIPULATE TO THE SITE PLAN BUT THAT'S THE RATIONALE WHY THIS CASE HAS NOT BEEN STIPULATED.

IN TERMS OF LAND USES, THE ADULT USE WOULD REQUIRE ADDITIONAL USE PERMIT, PROBABLY WOULDN'T FIT THE CRITERIA FOR HAVING THE OPPORTUNITY TO DO AN ADULT USE HERE, BUT ALSO WITH REGARD TO FLEXIBILITY AND REDEVELOPMENT POTENTIAL AND REUSE POTENTIAL OF THIS SITE, ONE DAY COULD BE A DRUGSTORE PHARMACY AND ANOTHER DAY AS THE MARKET CHANGES IT COULD ACCOMMODATE ANOTHER COMMERCIAL USE, SO THERE'S BEEN CAREFUL THOUGHT ABOUT WHETHER OR NOT WE DO STIPULATE. WHEN WE DO, IT'S PART OF THE DEVELOPMENT PLAN IN A PLANNED COMMUNITY DISTRICT WHERE THERE'S A LARGER TABLE AND A LARGER UNDERSTANDING OF WHAT THE OVERALL DEVELOPMENT PLAN IS AND HOW THAT WOULD FUNCTION. IT'S TYPICALLY NOT DONE ON A STRAIGHT C-2 ZONING. AGAIN, IF THE BUSINESS COMMUNITY WERE TO CHANGE FOR THE BUSINESS AND A DEVELOPMENT AGREEMENT WOULD HAVE TO BE REVISED TO ADDRESS LAND-USE STIPULATIONS, SO WE HAVE BEEN CAUTIOUS WITH THAT ESPECIALLY WITH REGARD TO SPECIFIC LAND-USE RESTRICTIONS, AGAIN, BECAUSE IF YOU GET THE C-2 ZONING, FOR THE MOST PART THE COMMUNITY IS COMFORTABLE WITH COMMERCIAL ZONING AT THIS LOCATION.

Councilman Robbins: THANK YOU.

Mayor Lane: THANK YOU. COUNCILMAN PHILLIPS.

[Time: 00:45:56]

Councilmember Phillips: THANK YOU, MAYOR. I HAVE A LOT OF QUESTIONS. MR. MORRIS DO YOU HAVE TIME TO ANSWER QUESTIONS? ONE OF MY CONCERNS IS, NUMBER 1, IS THE LIGHTING. DO YOU HAVE ANY KIND OF PLAN ON THE LIGHTING FOR THIS? WILL THERE BE LIGHTING THAT WILL BE SHINING INTO THE NEIGHBORS HOMES?

Jason Morris: IN THIS INSTANCE WE HAVE SUBMITTED I BELIEVE A LIGHTING PLAN TO THE DEVELOPMENT REVIEW BOARD FOR THEIR REVIEW. I CAN TELL YOU HAVING REVIEWED IT THAT IT DOES NOT. IN FACT THE FOOT CANDLE DOESN'T EXTEND BEYOND THE PROPERTY ITSELF SO WE'RE ACTUALLY BUFFERED TO THE SOUTH BY AN ENTIRELY DIFFERENT BUILDING AND USE, THE WELLS FARGO BUILDING, SO NONE OF THOSE LIGHTS FROM THE CVS SITE WOULD BE ABLE TO GO EAST OR SOUTH TO RESIDENTIAL AREAS.

Councilmember Phillips: WE'LL CHECK THAT WITH THE DEVELOPMENT REVIEW BOARD. WILL THIS BE OPEN 24/7?

Jason Morris: NO. TYPICALLY A SITE IS NEVER OPENED AS 24-HOUR SITE AND THE ONLY WAY IT BECOMES A 24-HOUR SITE IS TO ACTUALLY GET THE PATRONS OF THAT SITE TO REQUEST A 24 HOUR USE OF THIS SITE, BUT I BELIEVE FURTHER NORTH IN THE SCOTTSDALE THERE'S A 24-HOUR LOCATION.

Councilmember Phillips: BUT THIS ONE WON'T BE? I BELIEVE THE WALGREENS DOWN THE ROAD ISN'T EITHER.

Jason Morris: IT'S NOT THE INTENT FOR THIS TO BE 24 HOURS.

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Councilmember Phillips: OKAY. ANOTHER QUESTION IS, THIS MIGHT BE STAFF'S QUESTION, BUT IF THE EXISTING BUILDINGS ARE RAISED AND YOU BUILD YOUR NEW BUILDING, IS THERE SPACE LEFT TO BUILD OTHER RETAIL AROUND THERE OR WILL THIS PRETTY MUCH TAKE UP ANY AVAILABLE SPACE? WOULD YOU KNOW THAT?

Brad Carr: MR. MAYOR AND COUNCILMAN PHILLIPS, AS PROPOSED, THE APPLICATION DOESN'T TAKE ALL OF THE AVAILABLE AREA, SO THERE COULD BE OTHER BUILDINGS BUILT THERE. KEEP IN MIND THAT THIS SITE IS IN THE MUCH LARGER HILTON VILLAGE AREA. THERE'S AVAILABLE AREA FOR FAR FOR THE ENTIRE CENTER FOR ADDITIONAL BUILDINGS.

Councilmember Phillips: OKAY. I THINK THAT WAS IT FOR THE QUESTIONS. YOU BROUGHT UP ABOUT THE OSCO. I TOTALLY FORGOT ABOUT THOSE GUYS.

Jason Morris: I THINK THAT WAS CVS' INTENT.

Councilmember Phillips: WELL IT WORKED. I APPRECIATE THE RESIDENTS COMING DOWN HERE. I KNOW HOW HARD IT IS TO COME DOWN AND SPEAK ON SOMETHING. I'VE BEEN IN THAT POSITION MANY TIMES, AND IT'S VERY FORMIDABLE. YOU ARE REALLY BACKED UP AGAINST THE WALL. YOU HAVE A CHANCE TO SPEAK BUT REALLY TO BE ABLE TO SWAY SOMEBODY'S OPINION IS DIFFICULT, ESPECIALLY THE CITY COUNCIL, AND THIS IS ONE OF THE FEW ISSUES THAT WE HAVE HAD COME UP THAT WE WEREN'T BRIEFED AHEAD OF TIME. NORMALLY WE HAVE SOMEBODY CALL US OR WE MAKE AN APPOINTMENT AND TALK TO THEM AHEAD OF TIME AND ALMOST MADE UP OUR MINDS BEFORE COUNCIL EVER COMES HERE, SO EVEN THEN IT WOULD MAKE IT EVEN HARDER. SO IN THIS PARTICULAR INSTANCE, AND I BELIEVE BECAUSE IT WASN'T A MAJOR GENERAL PLAN AMEND, IT CAME TO COUNCIL WITHOUT THAT. I'M HEARING THIS PRETTY MUCH FOR THE FIRST TIME TONIGHT, WE DID GET A PACKET THAT WE CAN LOOK THROUGH BUT WE DIDN'T GET A CHANCE FOR ALL THE QUESTIONS TO GO THROUGH.

AND I REALLY JUST WANT TO COMMEND YOU FOR COMING HERE THIS EVENING. I UNDERSTAND WHERE YOU ARE COMING FROM, GOING FROM COMMERCIAL OFFICE TO C-2, MOST OF IT IS COMMERCIAL OFFICE. AND WHAT I SAW FROM HERE WAS THAT THIS PARTICULAR SECTION C-O WAS ORIGINALLY DONE TO ALLOW THE BANK AND I HEARD THE COMMENTS THAT THE OFFICE WAS THERE AS A BUFFER TO THE RESIDENTS, AND I DON'T KNOW IF THAT'S TRUE OR NOT AND YOU MIGHT HAVE SOME INFORMATION I DIDN'T GET, AND I BELIEVE THAT'S WHY THEY DID THAT AND THOSE OFFICES SAT FOR A LONG TIME AND SAID, WELL, LET'S JUST CHANGE IT ALL TO C-O AND ALLOW MORE BUSINESS TO COME IN THERE. THE OTHER CONCERN IS THAT IT WAS BOXED RETAIL, I HAVE THAT CONCERN ALSO. WHEN YOU HAVE BEEN HERE FOR 20 YEARS AND YOU HAVE THE NICE PLACES TO GO AND YOU SEE THESE COME IN, IT'S INTIMIDATING AND SAD. I GREW UP IN PHOENIX AND I WATCHED TOWER PLAZA COME AS THE NEW MALL, AND THE ENTIRE PLAZA DIED AND THOMAS MALL DIED, AND LOS ARGOS CAME AND WENT AND IT'S SAD TO SEE THIS. WE ALL WONDER ABOUT, YOU KNOW, THESE NEW PLACES COMING THAT TAKES THAT AWAY AND TAKES THAT NEIGHBORHOOD FEELING AWAY AND IT JUST BECOMES ANOTHER BIG CITY.

LIKE I WAS SAYING, I WATCHED PHOENIX GO FROM A SMALL TOWN TO A BIG CITY AND YOU LOSE THAT FEELING, AND THAT'S WHY I MOVED TO SCOTTSDALE, FOR THAT SAME REASON, AND I DON'T WANT TOO SEE SCOTTSDALE HEAD THAT WAY. THERE WAS A COMMENT ABOUT THINGS COME AND

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GO AND YOU NEED THIS REVITALIZATION. VERY FEW TIMES DO WE SEE REVITALIZATION BECOME A GOOD THING. TOWER PLAZA, ALTHOUGH IT'S BEEN REVITALIZED, IT'S NOT AS GOOD AS IT WAS AND NEITHER IS THOMAS MALL. IT'S A POWER CENTER. IT DOES VERY GOOD AND PROBABLY THE CITY OF PHOENIX MAKES GOOD MONEY OFF OF IT BUT IT'S NOT WHAT IT USED TO BE. I FEEL LIKE I WAS ELECTED TO REPRESENT THE PEOPLE AND HAVE PEOPLE'S VOICE AND I AM COMPELLED TO BE THE PEOPLE'S VOICE IN THIS ONE, SO ALTHOUGH I'M SURE IT'S PROBABLY NOT THE MAJORITY OF COUNCIL'S OPINION, I THINK I WILL BE VOTING NO ON THIS BECAUSE I HAVE TOO MANY QUESTIONS AND CONCERNS ON THIS WITHOUT HAVING ENOUGH INFORMATION. MAYBE IF WE HAD A CONTINUANCE ON IT WE COULD GET MORE FEEDBACK BUT RIGHT NOW I WOULD BE VOTING NO ON IT. THANK YOU.

Mayor Lane: THANK YOU, COUNCILMAN. COUNCILWOMAN KORTE.

[Time: 00:52:47]

Councilmember Korte: MR. MORRIS. THE EXISTING OFFICE BUILDING IS TWO STORIES, 17,000- PLUS SQUARE FEET, IS THAT COMPLETELY VACANT AND UNDERUTILIZED AND HOW LONG HAS IT BEEN VACANT?

Mr. Morris: YES, IT IS ENTIRELY VACANT AT THIS POINT. AND I SHOULD POINT OUT I'VE BEEN CALLED MUCH WORSE THAN A MAGICIAN, HOWEVER I HAVE THE INFORMATION OF THAT BUILDING. IT WAS NOT A SUCCESSFUL BUILDING IN ITS OWN RIGHT. THAT IS WHY IT BECAME AVAILABLE. IT WASN'T ALWAYS AT ZERO PERCENT OCCUPANCY BUT IT IS AT THIS POINT.

Councilmember Korte: THE PROPOSED CVS BUILDING IS GOING TO BE ALMOST 13,000 SQUARE FEET.

Jason Morris: THAT'S CORRECT.

Councilmember Korte: WHAT IS THE COMPARISON IN FOOTPRINT ON THAT SITE?

Jason Morris: IF I MAY GO BACK TO MY EXHIBIT, IF I COULD , BUT I CAN TELL YOU IN GENERAL WE ARE REPLACING TWO MULTI-STORY OFFICE BUILDINGS THAT ARE SURROUNDING A COURTYARD WITH A SMALLER SINGLE BUILDING WITH A SMALLER FOOTPRINT WHICH IS WHY WE'RE ABLE TO CHANGE THE CIRCULATION. I MADE A POINT AND IT PROBABLY MAKES MORE SENSE NOW THAT YOU ARE ASKING THE QUESTIONS TO ADDRESS THIS POINT, BUT THE IDEA OF BEING ABLE TO COME OFF OF THAT DRIVEWAY FROM SCOTTSDALE ROAD AND BE ABLE TO GO TO THE RETAIL STORES RATHER THAN HAVING TO GO AROUND AND GETTING CAUGHT IN THE WELLS FARGO DRIVE-THRU IS WHY I BELIEVE WE HAVE THE SUPPORT OF WELLS FARGO. THANK YOU. SO IF I GO TO THIS BUILDING, YOU WILL SEE THE EXISTING BUILDING DOES HAVE A LARGER FOOTPRINT AND IT'S ALSO A TALLER BUILDING. SO AS A RESULT OF THAT CHANGE, WE'RE ABLE TO OPEN UP THAT DRIVEWAY AND HAVE A SMALLER FOOTPRINT. THE ENTIRE BUILDING IS 25% SMALLER THAN THE EXISTING.

Councilmember Korte: THANK YOU, MR. MORRIS. YOU MENTIONED THAT THE SHOPPING CENTER, HILTON VILLAGE, IS UNDER NEW OWNERSHIP AND THAT THE CVS BUILDING IS GOING TO FIT INTO THE OVERALL REDEVELOPMENT OF THAT. CAN YOU GIVE ME AN IDEA OF WHAT THAT REDEVELOPMENT WILL LOOK LIKE?

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Jason Morris: THE IDEA IS TO RE-SKIN THE HILTON VILLAGE, MEANING YOU WILL HAVE A NEW FACADE, REMOVING STUCCO AND INCLUDE TILE AND OTHER ELEMENTS. THE OUTER BUILDINGS DON'T NECESSARILY MATCH THAT ARCHITECTURE OR THOSE FINISHES. THIS ALLOWS THE BUILDINGS TO LOOK LIKE THEY BELONG. IT IS ESSENTIALLY ROOFING MATERIALS, NEW FACADES, ESSENTIALLY A BETTER SHOPPING EXPERIENCE, MORE PEDESTRIAN-FRIENDLY EXPERIENCE, AND THAT WOULD INCLUDE A PEDESTRIAN PATHWAY, AS YOU CAN SEE IN THIS EXHIBIT, FROM THIS BUILDING TO THE SHOPS' BUILDINGS, TO THE EAST AND NORTH, SO THAT THESE AREN'T ISOLATED STRUCTURES.

Councilmember Korte: OKAY. THANK YOU. I HAVE ONE MORE QUESTION FOR MR. CARR. SO WITHOUT STIPULATIONS, IF COUNCIL APPROVED THIS, HOW COULD WE MITIGATE THE NEIGHBORS' CONCERNS ABOUT THE PROVERBIAL CAMEL'S NOSE IN PERHAPS FUTURE USES THAT ARE NOT WELL-ACCEPTED?

Brad Carr: MR. MAYOR AND COUNCILMEMBER KORTE, AS THE ZONING IS SET UP AT THIS POINT WITH THE STIPULATIONS THERE IS NO PROVISION THAT WILL ALLOW A RESTRICTION OR STRIKING LAND USE AS IT'S CURRENTLY SET UP. COUNCIL COULD ENTER INTO A DEVELOPMENT AGREEMENT, ALTHOUGH THE STAFF DOESN'T NORMALLY SUGGEST THAT COUNCIL DO THAT TO RESTRICT LAND USES, AND THAT WOULD BE THE ONLY WAY AT THIS POINT TO THE LIMIT THE USES FOR THE SITE.

Councilmember Korte: THANK YOU.

Mayor Lane: THANK YOU. COUNCILWOMAN MILHAVEN, YOU HAD A QUESTION OR COMMENT?

[Time: 00:57:47]

Councilwoman Milhaven: NO, MAYOR. THANK YOU. IN ORDER TO AVOID THE APPEARANCE OF A CONFLICT, I WON'T BE VOTING ON THIS ISSUE.

Mayor Lane: OKAY UNDERSTOOD. THANK YOU. I GUESS MOST OF THE QUESTIONS I HAD ON THIS HAVE BEEN ADDRESSED IN ONE FORM OR ANOTHER. THE ONE THING THAT I WAS CURIOUS ABOUT- AND I THINK MR. MORRIS, IT WOULD BE A QUESTION TO YOU. AND THAT IS, IS THERE SOME CONNECTIVE OWNERSHIP THAT WRAPS WHAT I SEE TO BE LANDSCAPING DOWN SOUTH OF SCOTTSDALE ROAD TO A LOT I BELIEVE ON THE CORNER AND IS THAT PART OF WHAT IS DETERMINED TO BE DONE IN THE PROCESS OF THE REDEVELOPMENT AS WELL AS THIS SITE OR?

Jason Morris: YES, MAYOR, YOU ARE CORRECT. IN THIS INSTANCE, ALTHOUGH IT'S NOT PART OF THE BUILDING SITE, CVS HAS AGREED TO MAKE THE IMPROVEMENTS SHOWN ON THAT SITE PLAN BECAUSE THEY'RE IN KEEPING WITH THE CITY OF SCOTTSDALE'S IMPROVEMENTS PLANS FOR SCOTTSDALE ROAD. THIS WILL BE ONE OF THE SECTIONS OF SCOTTSDALE ROAD THAT HAS BEEN REDEVELOPED TO ACCOMMODATE THOSE PLANS FOR ADDITIONAL PLANTING LANDSCAPING. EVERYTHING THAT IS SHOWN HERE WILL BE REDEVELOPED AS A RESULT OF THE PROPOSED CVS STORE AT THIS LOCATION.

Mayor Lane: AS I UNDERSTAND IT THE BUILDING SIZE SOME 4,300 SQUARE FEET DIFFERENCE IN THE BUILDING SIZE AND A SMALL INCREASE IN THE AMOUNT OF OPEN SPACE ABOUT 2,500 PLUS IN BOTH CASES. HAS THAT BEEN TO INCREASE PARKING OR IS THAT AREA OF GREEN THAT I SEE THERE TO



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WHAT WOULD BE THE WEST SIDE OF THE PROPERTY, IS THAT A RETAINAGE BASIN? AN OPEN GREEN AREA?

Jason Morris: THANK YOU, MAYOR. IT'S A COMBINATION OF BOTH. WE ARE TAKING PART OF THAT RETENTION AREA BECAUSE I MENTIONED THE ENTIRE DRAINAGE WAY THAT RUNS PARALLEL TO SCOTTSDALE ROAD DOES ACCEPT DRAINAGE AND IT'S AT FLOODWAY AND WE'RE TAKING PART OF THAT AND IMPROVING IT SO THERE'S ADDITIONAL PARKING SPACES BECAUSE THE OVERALL CENTER, AS YOU KNOW, IS QUITE BUSY AND A LOT OF RETAIL USES AT THIS LOCATION, SO OVERALL I BELIEVE THERE'S A NET GAIN OF FIVE SPACES, AND I THINK THAT PUTS THE OVERALL CENTER IN THE SURPLUS OF ABOUT 20 SPACES, AND THOSE WILL BE CREATED AT THE SAME TIME, AS THE REST OF THE DEVELOPMENT THAT'S PROPOSED, SO WE ARE IN FACT INCREASING THE OPEN SPACE AND WE'RE ALSO PUTTING NEW PLANTINGS AND PUTTING IN THE STREETScape, ALLOWING THE NEW DRIVEWAY CONFIGURATION WHICH GOES TO THE RETAIL BECAUSE OF THE COMMON OWNERSHIP THERE WAS A DESIRE TO SEE BETTER ACCESS THROUGH THIS AREA TO BENEFIT THE STORES IN THE BACK OF THE HILTON VILLAGE THAT WEREN'T ALWAYS GETTING THIS TRAFFIC. WITH THE REDEVELOPMENT OF THIS BUILDING, A SMALLER BUILDING AND FOOTPRINT, WE'RE ABLE TO ACCOMMODATE THAT.

Mayor Lane: ONE OF THE COMMENTS MADE IN THE TESTIMONY THAT WAS GIVEN WAS THE FACT THAT PRESUMABLY SOME OF THE NEIGHBORS WHO HAVE TESTIFIED HERE TODAY IN THE NEIGHBORHOOD TO THE SOUTH HAD NOT BEEN CONTACTED IN THIS PROCESS, EITHER THE GENERAL PLAN AMENDMENT MINOR NON-MAJOR, AND ALSO THE ZONING CHANGE. IS THAT

Jason Morris: I'M GLAD I HAD A CHANCE TO ADDRESS THAT. IN FACT, THERE WAS SEVERAL ATTEMPTS MADE TO MAKE CONTACT WITH THIS SPECIFIC NEIGHBORHOOD. WE HAD AN OPEN HOUSE, MAILINGS, AT LEAST FOUR DIFFERENT OPPORTUNITIES, AND, IN FACT, I DON'T KNOW IF I STILL HAVE IT AVAILABLE, WE HAD E-MAIL CORRESPONDENCE WITH THE HOA AND OFFERED TO COME OUT ONCE, AGAIN, JUST TO ADDRESS THEIR BOARD AND WERE TOLD THEY HAD NO FURTHER QUESTIONS OR DESIRE TO TALK TO US. I FORGET THE EXACT QUOTE. I BELIEVE THEY SAID THERE WAS NO REASON TO MEET AND THEY WOULD TAKE THEIR QUESTIONS AND CONCERNS TO THE MEETING.

Mayor Lane: SO THERE WAS AN ATTEMPT MADE?

Jason Morris: ABSOLUTELY ON A REGULAR BASIS.

Mayor Lane: OKAY. THANK YOU, MR. MORRIS. I HAVE ONE ADDITIONAL QUESTION TO MR. CURTIS. I KNOW WE TALKED A LITTLE BIT ABOUT WHETHER OR NOT THERE WAS STIPULATIONS INCLUDED IN THIS PARTICULAR APPLICATION TO RESTRICT, AND THE COMMENT WAS MADE ABOUT SOME KIND OF SEXUALLY ORIENTED BUSINESS BEING QUALIFIED FOR THIS ZONING. IT'S BEEN MY UNDERSTANDING THROUGH THE YEARS THAT WE HAVE ADDITIONAL ORDINANCES THAT SPECIFICALLY SPEAK TO THAT PARTICULAR SUBJECT, AND I'M NOT SURE IF THERE'S OTHERS FOR OTHER APPLICATIONS FOR C-2 THAT MIGHT COME INTO PLAY. IS THAT TRUE, AS I UNDERSTAND IT?

Tim Curtis: THAT'S ABSOLUTELY CORRECT, THAT IS THE TYPE OF USE THAT WOULD NEED TO GET A CONDITIONAL USE PERMIT, BUT ADULT USES HAVE ADDITIONAL CRITERIA THAT REQUIRE RELATIVELY LARGE SEPARATIONS FROM RESIDENTIAL DISTRICTS, AND THIS WOULD NOT QUALIFY BASED ON AN ADULT USE THE WAY THE ORDINANCE READS.

Mayor Lane: THANK YOU. COUNCILMAN PHILLIPS?

[Time: 01:03:31]

Councilmember Phillips: THANK YOU. COUNCILMEMBER KORTE BROUGHT UP SOMETHING I HAD FORGOTTEN ABOUT, AND A LOT OF TIMES YOU GO THROUGH DESIGN AND REVIEW AND THEN IT COMES TO THE CITY COUNCIL, AND IN THIS PARTICULAR TIME IT'S GOING THE OTHER WAY AROUND, AND MOST OF MY QUESTIONS AND CONCERNS ARE WITH THE DEVELOPMENT REVIEW BOARD, SO I FEEL LIKE THIS ONE PROBABLY SHOULD HAVE WENT TO THE DRB FIRST BEFORE COMING TO COUNCIL. MAYOR LANE BROUGHT UP ALSO, THE EXTRA LAND AVAILABLE THERE, I WOULD REALLY FEEL THAT IF I HAD THE CHANCE TO TALK WITH MR. MORRIS AND MAYBE SOME OF THE OTHER COUNCILMEMBERS ALSO WE MAY BE ABLE TO COME UP WITH SOMETHING BETTER.

SO I WOULD LIKE TO MAKE THE MOTION THAT WE MAKE A CONTINUANCE ON THIS UNTIL NEXT MONTH SO WE HAVE TIME TO DISCUSS THIS FURTHER AND MAYBE COME UP WITH A SOLUTION THAT WILL WORK FOR EVERYBODY.

Mayor Lane: THE MOTION HAS BEEN MADE BY COUNCILMAN PHILLIPS TO CONTINUE THIS TO A POINT 30 DAYS FORWARD. MOTION DIES FOR LACK OF A SECOND. COUNCILMAN DO YOU HAVE ANYTHING FURTHER ON THAT THAT YOU WANTED TO SAY?

Councilmember Phillips: NO, MAYOR. THANK YOU.

Mayor Lane: THANK YOU. I SEE THAT WE DON'T HAVE ANY FURTHER COMMENTS OR ANY TESTIMONY. IM PROVEN WRONG AGAIN. VICE MAYOR KLAPP.

[Time: 01:05:19]

Vice Mayor Klapp: I BELIEVE THIS IS A GOOD USE FOR THE PROPERTY, FROM THE TESTIMONY I'VE HEARD. IT'S USE THAT IS CONSISTENT WITH THE RETAIL IN THE AREA. I'M A RETAILER MYSELF RIGHT NEXT TO CVS AND I CAN ATTEST TO THE KIND OF FOOT TRAFFIC THAT CVS WILL BRING TO THE HILTON VILLAGE SO I CAN UNDERSTAND WHY THERE IS A HOPE TO BRING IN A CVS IN PLACE OF AN OFFICE BUILDING. CVS IS A LOCAL COMPANY. I THINK THAT'S A TESTAMENT TO SCOTTSDALE, THAT WE HAVE A COMPANY SUCH AS CVS HERE. THIS IS RE-DEVELOPMENT OF THE AREA, AND THE ENTIRE SHOPPING CENTER DOES NEED SOME REDEVELOPMENT. IT'S GETTING OLDER. IT APPEALS TO RESIDENTS IN THE AREA BUT THIS SHOPPING CENTER IS KNOWN AS A TOURIST SHOPPING CENTER AS WELL AS A NEIGHBORHOOD SHOPPING CENTER. THE FACT THAT IT'S GOING FROM 2- STORY TO 1-STORY SHOULD GIVE NEIGHBORS COMFORT THAT IT'S A MOVE IN THE RIGHT DIRECTION FOR ANY NEIGHBORHOOD TO HAVE A 1-STORY BUILDING INSTEAD OF A 2-STORY, AND I BELIEVE THIS STREET'S IMPROVEMENTS WILL BE A HELP FOR THE SHOPPING CENTER AND IT WOULD BE MY HOPE WE WANT TO STRENGTHEN THE SHOPPING CENTER ITSELF SO IT CAN ENJOY GOOD BUSINESS, THAT THE NEIGHBORS CAN CONTINUE TO GO TO THE STARBUCKS AND IT DOESN'T MOVE OUT BECAUSE THE SHOPPING CENTER IS DYING.

I WOULD LIKE TO MAKE A MOTION THAT WE ADOPT RESOLUTION 9323 APPROVING A NON-MAJOR GENERAL PLAN AMENDMENT TO DISCUSS THE GENERAL PLAN LAND USE MAP FROM OFFICE TO

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COMMERCIAL ON A 1.56 SITE LOCATED AT 6045 NORTH SCOTTSDALE ROAD. AND TO ADOPT ORDINANCE 4069 APPROVING A ZONING DISTRICT MAP AMENDMENT FROM COMMERCIAL OFFICE C-O ZONING TO C-2 ZONING FINDING THE ZONING DISTRICT MAP AMENDMENT IS CONSISTENT AND CONFORMS WITH THE ADOPTED GENERAL PLAN.

Councilmember Korte: SECONDED.

Mayor Lane: THE MOTION HAS BEEN MADE AND SECONDED. COUNCILWOMAN KORTE, WOULD YOU LIKE TO SPEAK TO THE SECOND?

Councilmember Korte: SIMPLY WHAT SPEAKS TO ME TONIGHT IS THE IMPORTANCE OF RE-PURPOSING THIS NEIGHBORHOOD CENTER, RE-PURPOSING THE OFFICE COMPLEX, THIS OBSOLETE OFFICE BUILDING IS A SURE WAY TO BRING AN ENTIRE NEIGHBORHOOD SHOPPING CENTER DOWN, AND I APPLAUD THE NEW OWNERS OF THE PROPERTY AND CVS OF COME IN TO, SHALL WE SAY REVITALIZE AN AREA THAT COULD EASILY GO THE OTHER WAY IF ATTENTION HASN'T BEEN BROUGHT TO IT, SO I WILL BE SUPPORTING THIS.

Mayor Lane: THANK YOU. I HAVE TO SAY THE EFFORT HERE TO REVITALIZE THIS END OF THE HILTON VILLAGE SHOPPING CENTER IS SOMETHING THAT HAS BEEN LOOKED FOR QUITE SOME TIME, AND THAT END OF THE SHOPPING CENTER HAS HAD A PROBLEM WITH TRAFFIC FLOW AND ALSO WITH TENANTS IN THAT AREA. EVEN WITH SOME POPULAR LOCATIONS AND HONEY GLAZED HAM, I THOUGHT IT WOULD BE STEADFAST, AND IT COULDN'T MAKE IT AND I'VE SEEN MANY GO THROUGH THERE. IT'S A CENTER I GO TO FREQUENTLY AND YOU CAN TELL THAT END HAS HAD GREAT DIFFICULTIES. REVITALIZING IS SOMETHING WE ARE IN THE BUSINESS OF DOING, CERTAINLY IN SCOTTSDALE. IF WE LET THINGS GO THEY BECOME BLIGHTED AND THEY DRAG DOWN THE ENTIRE CENTER. WE DON'T LOOK FOR OPPORTUNITIES TO IMPROVE REALLY ON THE OVERALL FOR NEIGHBORHOODS AND FOR OUR COMMERCIAL BUSINESSES, WHICH ARE VITAL TO OUR CONTINUED ECONOMY AND THE VITALITY OF OUR COMMUNITY OVERALL. WITH THAT, I'M GOING TO SAY THAT I WILL BE APPROVING THE MOTION ON THE TABLE FOR THIS RESOLUTION AND ORDINANCE. SEEING WE HAVE NO FURTHER COMMENTS, I BELIEVE WE ARE READY TO VOTE.

ALL THOSE IN FAVOR INDICATE BY AYE OR NAY. NOTING COUNCILWOMAN LINDA MILHAVEN RECUSED HERSELF FROM THIS VOTE AND WE'RE OPERATING WITH THE SIX AND WE HAVE ONE OPPOSING VOTE, AND THAT'S COUNCILMAN PHILLIPS.

**ITEM 14 – CITY PROPOSED FISCAL YEAR 2013/14 RATES AND FEES**

[Time: 01:10:48]

Mayor Lane: THANK YOU. THAT COMPLETES ITEM 13 AND MOVES US FORWARD TO ITEM 14, WHICH IS THE CITY PROPOSED FISCAL YEAR 2013/14 RATES AND FEES. THE PRESENTATION BY ACTING CITY MANAGER DAN WORTH AND WATER RESOURCES EXECUTIVE DIRECTOR BRIAN BIESEMAYER ON THE PROPOSED 2013/14 RATES AND FEES AND PROVIDE POSSIBLE DIRECTION ON THE CITY'S PROPOSED RATES AND FEES. MR. WORTH.

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Acting City Manager Dan Worth: GOOD EVENING, MAYOR AND COUNCIL, AS YOU JUST MENTIONED MY PURPOSE IS TO PRESENT OUR PROPOSED CHANGES FOR FISCAL YEAR 2013/14 FOR OUR RATES AND FEES AND TO GET ANY DIRECTION YOU MAY REGARDING THE RATES AND FEES. WE HAVE TWO ADOPTED FINANCIAL POLICIES THAT GOVERN RATES AND FEES, FINANCIAL POLICY 10 IS FOR ENTERPRISE RATES AND FEES. FINANCIAL POLICY 11 IS FOR ALL OTHERS. THEY BOTH ALLOW FOR AN ANNUAL REVIEW AND COUNCIL APPROVAL OF ANY CHANGES. THE DIFFERENCE IS THAT THE ENTERPRISE RATES AND FEES POLICY REQUIRES US TO ENSURE WE RECOVER THE COSTS. THE NON-ENTERPRISE ALLOWS YOU TO DETERMINE HOW MUCH OF THOSE COSTS WE RECOVER. I'M GOING TO BEGIN THE PRESENTATION BY GOING OVER THE NON-ENTERPRISE RATES AND FEES AND I'LL FOCUS ON THOSE WHERE WE HAVE REQUESTED CHANGES. YOU SEE FIVE DIFFERENT AREAS AT THE BOTTOM OF THE SLIDE WHERE THERE ARE REQUESTED CHANGES OR PROPOSED CHANGES IN OUR RATE AND FEE STRUCTURE. I'LL TALK ABOUT EACH ONE OF THEM IN TURN AND I WILL POINT OUT TO YOU THAT WHILE I'M GOING TO BE GIVING A BRIEF OVERVIEW, I HAVE THE SUBJECT MATTER EXPERTS ON HAND FOR MOST OF THESE AREAS THAT CAN ADDRESS ANY SPECIFIC QUESTIONS THAT YOU MAY HAVE.

THE REVENUE IMPACT OF THE NEW RATE AND FEE STRUCTURE WE'RE PROPOSING ON THE NON-ENTERPRISE SIDE, IT'S FAIRLY OBVIOUS THE BULK OF THE INCREASE IS IN ONE AREA. IN THE WESTWORLD RATES AND FEES, A COUPLE OF COMMENTS ABOUT THIS SOME OF THIS IS DUE TO CHANGES IN RATES. SOME IS DUE TO CHANGES IN RATES. SOME OF THIS IS DUE TO ESTABLISHMENT OF NEW RATES TO GO WITH OUR NEW FACILITY WE'RE BUILDING OUT THERE. I'LL SHOW YOU A SLIDE THAT GOES INTO DETAIL FOR EACH OF THOSE CATEGORIES. THIS IS ALSO SOMETHING THAT WE PROMISED YOU A YEAR AGO WHEN YOU APPROVED THE CONSTRUCTION OF THE NEW PROJECT THE EXPANSION OF THE TONY NELSSON CENTER, THE FINANCIALS THAT WE SHOWED YOU A YEAR AGO INDICATED WE WOULD GENERATE \$200,000 IN ADDITIONAL REVENUE DUE TO RATES AND FEES, ADJUSTMENTS ON EXISTING BUSINESS AND FACILITIES AND WE WOULD START GENERATING ADDITIONAL REVENUE FROM NEW SHOWS, HALF A MILLION DOLLARS IN FISCAL YEAR 13/14 INCREASING FOLLOWING IN FISCAL YEAR 14/15. THIS \$400,000 IS, PART OF IT, IS THE SECOND INSTALLMENT OF INCREASED REVENUE DUE TO RAISING RATES AND FEES ON THE EXISTING FACILITIES AND BUSINESS, AND PART OF IT IS WHAT WE HAVE GOT LINED UP TO DATE FOR NEW ACTIVITY IN THE EXPANDED TONY NELSSON CENTER IN FISCAL YEAR 13/14.

THE FIRST AREA THAT I'LL ADDRESS IS COMMUNITY ECONOMIC DEVELOPMENT, BASICALLY ONE FEE, AND WE CHARGE A FEE FOR THE WIRELESS CARRIERS TO ESTABLISH FACILITIES IN THE RIGHT-OF-WAY, THIS WAS IMPLEMENTED IN 2009 AND BASED ON THE AMOUNT OF REAL ESTATE IN THE RIGHT-OF-WAY THAT THEY OCCUPY. THE INCREASE IS ROUGHLY THE EQUIVALENT OF A CPI INCREASE THAT WE LEVY ON A LICENSE TO USE THE RIGHT OF WAY. WE'RE PROPOSING A 3% INCREASE ON THAT FEE. THIS IS CONSISTENT WITH WHAT WE HAVE DONE EACH OF THE THREE YEARS SINCE WE INITIALLY IMPLEMENTED THE FEE, AND THEN YOU CAN SEE ONE EXCEPTION CULLED OUT FOR THOSE INSTALLATIONS THAT WERE IN PLACE PRIOR TO OUR IMPLEMENTING THE CURRENT FEE IN 2009. WE ACTUALLY SKIP ADD YEAR AND WE'LL GO BACK AND RECAPTURE THAT, SO IT WOULD BE LAST YEAR'S PLUS THIS YEAR'S INCREASE FOR A TOTAL OF 6%.

THE TONY NELSSON CENTER, I'VE ALREADY MENTIONED. OBVIOUSLY THE NEW FACILITY, WHICH WE'RE ALREADY USING, IF ANYBODY WAS OUT FOR THE PARADA RODEO THIS PAST WEEK OR THE ARABIANS BEFORE THAT, YOU COULD SEE THE NEW ENCLOSED EQUIDOME THAT ARE BEING USED, AS WELL AS THE PADDOCK AREA, AND THESE FACILITIES ARE ALREADY BOOKED. IN ADDITION TO

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ESTABLISHING RATES FOR THOSE NEW FACILITIES, WE ARE PROVIDING CURRENT RENTAL RATES FOR THE CURRENT FACILITIES, AND IT'S IN FULL AGREEMENT WITH SOME OF THE RECOMMENDATIONS IN THE AUDIT REPORT THAT WAS RECENTLY APPROVED AND THE WEST WORLD RATE AND FEE STRUCTURE WHERE THERE WAS RECOMMENDATIONS THAT WE GET CLOSER TO COST RECOVERY, CLOSER TO INDUSTRY STANDARDS, AND TO ALSO SIMPLIFY SOME OF OUR RATES, AND THE RATE CHANGES WE ARE PROPOSING ARE A COMBINATION OF VARIOUS RATES, THE EASE OF ADMINISTRATION, AND FULL COLLECTION, AND SIMPLIFYING THE STRUCTURE FOR OUR USERS.

THE ADDITIONAL GENERAL FUND REVENUES OF \$400,000 IS GOING TO BE SHOWN ON TWO SLIDES, \$185,000, AND I'LL SHOW THAT, ASSOCIATED WITH NEW RATES FOR EXISTING FACILITIES. THE FIRST LINE YOU CAN SEE THE EQUIDOME AND THE SECOND COLUMN IS THE EXISTING RATE AND THE THIRD IS THE 13/14 PROPOSED RATE, AND THIS IS KIND OF SIX AND ONE HALF DOZEN OF OTHERS. THIS IS NOT A NEW FACILITY, BUT THE EXPANDED AND ENCLOSED EQUIDOME IS, SO WE HAVE INCREASED THE RATE WITH THE CAPABILITIES OF THE NEW FACILITY. THE REST OF THOSE THAT YOU SEE LISTED THE COVERED ARENAS, AND FOUR, FIVE, SIX, SEVEN, AND EIGHT ARE THE NON-COVERED OUTDOOR ARENAS. THE NEW PROPOSED RATE IS CLOSER INDUSTRY STANDARDS, AND THE POLO FIELD, THAT'S ACTUALLY A NEW RATE ESTABLISHED FOR A SORT-TERM USE FOR THE FIELD THAT WE'VE BEEN USING, AND THEN THE LAST THREE ACTUALLY ARE SOME OF THAT SIMPLIFYING THE RATE STRUCTURE, AND ELIMINATING SOME FEES THAT WERE COUNTER-PRODUCTIVE TO CALCULATE AND ENFORCE AS IT IS TO COLLECT THEM. WE HAVE COMBINED THEM AND SIMPLIFIED THEM, AND IT WILL BE EASIER ON THE SHOW PRODUCERS AND EASIER ON US, AND FULLY COMPLIANT WITH SOME OF THE RECOMMENDATIONS ON THE AUDIT REPORT. THESE ARE THE PROPOSED FEES FOR THE NEW FACILITIES.

Mayor Lane: EXCUSE ME, WE HAVE A QUESTION FROM COUNCILMAN ROBBINS.

[Time: 01:18:59]

Councilman Robbins: THANK YOU TWO THINGS REGARDING THIS. THE ONE THAT HAS AN 80% INCREASE, IS THAT ONE OF THE ONES THAT WOULD BE IN CONFORMANCE WITH THE MARKET OR THE INDUSTRY STANDARDS, WHY IT'S SUCH A HUGE INCREASE IN ONE YEAR?

Dan Worth: COUNCILMAN ROBBINS, THAT'S A REFLECTION OF TWO THINGS, THE INDUSTRY STANDARD, AND THE INDUSTRY STANDARD THAT WE WERE LOOKING AT FOR PRICING OF ALL OF THE NEW TONY NELSSON CENTER FACILITIES, THE DATA POINTS THAT OUR STAFF LOOKED AT BEING DEL MAR IN CALIFORNIA AND OKLAHOMA CITY, SIMILAR FACILITIES, AND WE FEEL THIS IS IN LINE WITH WHAT THEY ARE CHARGING FOR SIMILAR USES, AND THAT'S PART OF IT. AND THE OTHER PART, IT'S REALLY NOT THE SAME FACILITY. THE \$1,250 FEE IS FOR A NON-ENCLOSED FACILITY WITH A SMALLER CAPACITY. THE NEW FACILITY AND NEW RATE IS FOR THE NEW, IMPROVED FACILITY, SO IT'S A COMBINATION OF THOSE TWO FACTORS.

Councilman Robbins: WHEN YOU TALK ABOUT COST RECOVERY, ARE YOU SPEAKING IN TERMS OF OPERATIONAL COST RECOVERY OR CAPITAL COST RECOVERY? IS THERE ANY SEASONAL DIFFERENCES BECAUSE SOMETIMES THERE WILL BE HEAT AND COOLING AND OTHER TIMES, NOTHING, SO IS IT JUST A BLENDED RATE ACROSS AND IT DOESN'T MATTER WHAT THE SEASON IS?

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Dan Worth: COST RECOVERY IS OPERATIONAL AND THE PRESENTATION WE GAVE YOU A YEAR AGO SHOWED THAT ONE OF THE THINGS THAT WE WERE COUNTING ON, ONE OF THE THINGS THAT PROJECTED \$200,000 A YEAR INCREASE ON THE EXISTING RATES AND FEES, \$500,000 FOR A HALF YEAR, \$2 MILLION FOR A FULL YEAR ON NEW EVENTS BOOKED, PART OF THAT WAS TO REDUCE A RELIANCE ON THE GENERAL FUNDS TO PAY FOR THE OPERATION OF WEST WORLD AS A WHOLE, AND THAT REDUCTION IS SOMETHING WE COULD ARGUABLY USE AS PART OF OUR EQUATION FOR DEBT SUPPORT, FOR THE DEBT FOR BUILDING THE FACILITY. TO THAT EXTENT IT'S PARTIALLY FOR CAPITAL COST RECOVERY BUT WE ARE LOOKING TO RECOVER THE COSTS OF OPERATING THE FACILITY TO A GREATER DEGREE.

Councilman Robbins: HAVE WE INCLUDED CURRENT USERS AND POTENTIAL USERS IN THIS DISCUSSION AND HAVE YOU HAD ANY PUSH-BACK OR CANCELLATIONS BASED UPON THESE PROPOSED INCREASES?

Dan Worth: WE HAVE INCLUDED CURRENT USERS IN THE DISCUSSION BOTH OF THE RATES HERE AND THE RATES ON THE NEW FACILITY. THERE'S BEEN SOME SHOWS THAT ARE LEAVING BUT IT'S NOTHING OTHER THAN OUR NORMAL TURNOVERS, SO TO SPEAK, FOR EVENTS. THE SHOW THAT LEFT HAVEN'T ATTRIBUTED THE RATE INCREASES TO THEIR DECISION AND, AT THE SAME TIME, WE'RE BRINGING AT THE SAME TIME, WE'RE BRINGING IN NEW SHOWS. I KNOW I PROMISED DETAIL COME I'LL DELIVER IN THE NEAR FUTURE. BUT AS IT STANDS RIGHT NOW, \$154,000 WORTH OF REVENUE REPRESENTED BY NEW SHOWS THAT WE HAVE BOOKED THAT HAVE SIGNED CONTRACTS THAT ARE IN PLACE FOR THE NEW FACILITY, \$62,000 ADDITIONAL WHERE WE HAVE COMMITTED SHOWS, AND WE'RE IN THE FINAL PROCESS OF NEGOTIATING A CONTRACT, AND I WOULD ALSO POINT OUT THAT PARTICULARLY WITH THAT \$154,000 WORTH OF NEW SHOWS, THEY ARE ALL COMMITTED IN THE FALL OF 2013, BEFORE THE FACILITY IS ACTUALLY FULLY COMPLETED BEFORE WE HAVE A FULLY ENCLOSED NORTH HALL, AND THAT'S VERY ENCOURAGING AS FAR AS THE NEW SHOWS THAT WE'RE BRINGING IN. WE ANTICIPATE IT WILL ONLY GET BETTER WHEN WE HAVE THE FULL FACILITY TO OFFER, WE HAVE ABOUT A HALF A DOZEN SIZEABLE SHOWS WE'RE WORKING ON TO TAKE THAT AT REALITY. THE EXISTING SHOWS WE HAVE INTENDED TO USE THE FACILITY ARE IN AGREEMENT AND THEY HAVE BEEN CONSULTED AS WE DEVELOP THIS NEW RATE STRUCTURE AND THEY FEEL IT'S VERY COMPETITIVE.

Councilman Robbins: SINCE I HAVE YOU RIGHT NOW, LET ME JUST ASK ONE MORE GENERALIZED QUESTION ABOUT THE MARKETING EFFORTS THAT WE ALSO APPROVED WHEN WE RE-DID THE WHOLE FACILITY. WHEN IS THAT COMING BACK TO US? WHEN WE WILL HAVE A DECISION ON MOVING THAT FORWARD?

Dan Worth: I INTEND TO BRING SOMETHING TO YOU PROBABLY WITHIN THE NEXT MONTH. WE HAVE GONE THROUGH THE RFP PROCESS. WE HAVE INTERVIEWED A RESPONDENT THAT IS FULLY CAPABLE OF DELIVERING THE SERVICES THAT WE REQUESTED, BUT BEFORE WE COMMIT TO THAT, WE THINK THAT WE, STAFF, HAS BEEN CONFRONTED WITH SOME OTHER POTENTIALLY GOOD IDEAS THAT WE NEED TO FULLY VET OUT AND BRING TO YOU AS A SLIGHT POTENTIAL FOR THAT DIRECTION, BECAUSE WE ARE ALREADY MARKETING THE NEW FACILITY AND WE HAVE SHOWS BOOKED, AND WE NEED THAT ULTIMATE MARKETING SOLUTION VERY SOON SUE GET FULL ADVANTAGE OF THE FIRST YEAR THAT WE HAVE THE WHOLE FACILITY IN OPERATION. SO THE SHORT ANSWER IS HOPE TO HAVE SOMETHING TO YOU IN THE NEXT FEW WEEKS THAT LAYS OUT THAT POSSIBLE ALTERNATIVE APPROACH.

Councilman Robbins: OKAY. THANK YOU.

Mayor Lane: THANK YOU. PROCEED, PLEASE.

[Time: 01:39:01]

Dan Worth: THE COMMUNITY SERVICES DEPARTMENT IS PROPOSING A NUMBER OF RATE ADJUSTMENTS, AND MOST FIT INTO THE CATEGORY OF ACHIEVING A GREATER DEGREE OF COST RECOVERY, AND I WILL ADD THAT ALL OF THESE FEES HAVE BEEN THROUGH A PUBLIC REVIEW PROCESS THROUGH OUR PARKS AND SOME OF THE FEES HAVE BEEN THROUGH OTHER REVIEW PROCESSES THAT ARE SPECIFIC FOR THE PARTICULAR FEE. I WILL SHOW SLIDES THAT SHOW THE DETAILS ON EACH OF THESE. BUT I'LL HIGHLIGHT A COUPLE OF THINGS. MCDOWELL MOUNTAIN RANCH SKATE PARK A NOTICE WENT OUT THAT WE ARE PROPOSING THIS NEW FEE. WE DON'T CURRENTLY CHARGE FOR USE AT FACILITY, WE'RE EXPERIENCING A RATE OF EQUIPMENT FAILURE AND SOME ABUSE, AND WE WANT TO TRACK THE PEOPLE USING THE FACILITY. INDIAN SCHOOL PARK, IT WILL LOOK LEAK A LARGE INCREASE, AND WHAT WE'RE DOING IS ESTABLISHING A NEW RATE TO RECOGNIZE THIS ISN'T YOUR AVERAGE YOUTH SPORTS FIELD BUT A FIELD USED BY ADULT LEAGUES, BY CLUB TEAMS, OLDER YOUTH, AND IT'S A FULL MAJOR LEAGUE SPECTATOR FIELD AND MAINTAINED TO THE STANDARDS THAT THE GIANTS REQUESTED THAT WE BUILD IT AND MAINTAIN IT AS PART OF THE SPRING TRAINING FACILITY AND WE ARE ESTABLISHING A RATE THAT REFLECTS THAT REALITY.

ONE OTHER RATE I WANT TO THE POINT OUT, UNDER OTHER NEW FEES, WE HAVE A LOT OF PEOPLE THAT USE OUR FACILITIES, COMMERCIAL PHOTOGRAPHERS, BECAUSE THEY ARE BEAUTIFUL FACILITIES AND USE THEM FOR A SETTING FOR FILMING FOR COMMERCIAL PHOTO SHOTS AND THAT USE, THEY CAN OCCUPY A PIECE OF TERRAIN IN ONE OF OUR FACILITIES FOR A SIGNIFICANT AMOUNT OF TIME FOR DOING WHAT THEY ARE DOING, AND WE FELT IT WAS APPROPRIATE TO LEVY A MODEST FEE ON THAT THAT USE. THE SKATE PARK, THE KEY ITEMS HERE TWO OPTIONS FOR THE USERS. YOU CAN PAY FOR A SIX MONTH PASS \$26 OR YOU CAN DO A \$1 A VISIT FOR A DAILY DROP IN. WE HAVE OTHER RATES FOR GROUPS. TOTAL REVENUE GENERATED, NOT SUBSTANTIAL, BUT IT HELPS US IN SOME OF THOSE ENHANCED MAINTENANCE NEEDS THAT WE HAVE AT THAT FACILITY. SCOTTSDALE STADIUM, GENERALLY FOR BETTER COST RECOVERY AS COSTS GO UP FOR MAINTAINING THE FACILITY AND PROVIDING UTILITIES FOR THE FACILITY. INDIAN SCHOOL PARK THIS IS THE ONE I WARNED YOU IT WOULD LOOK LIKE A BIG INCREASE. WE ARE NOT GOING FROM \$3 AND INCREASING IT BY 633% TO \$22. OUR YOUTH SPORTS ALLOCATION RATE REMAINS \$3. FOR ALL THE OTHER YOUTH BASEBALL FIELDS, THIS IS ESTABLISHING A NEW RATE THAT RECOGNIZES THAT THIS IS A MUCH NICER FACILITY, A BETTER FACILITY THAN THE OTHER YOUTH FIELDS AND WE NEED TO TREAT IT DIFFERENTLY AND WE MAINTAIN IT TO A DIFFERENT STANDARD.

Mayor Lane: EXCUSE ME. WE HAVE A QUESTION FROM COUNCILWOMAN KORTE.

[Time: 01:28:55]

Councilmember Korte: THANK YOU. I'M NOT SURE IF I'M IN THE RIGHT CATEGORY HERE. I KNOW LAST YEAR IT WAS IMPLEMENTED IN COMMUNITY SERVICES A FEE FOR AFTER-SCHOOL SERVICES FOR OUR

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CHILDREN FOR OUR CHILDREN FOR AFTER SCHOOL. IS THIS THE RIGHT CATEGORY TO TALK ABOUT THAT?

Dan Worth: THIS IS THE RIGHT CATEGORY AND IT'S NOT ON THE LIST BECAUSE WE'RE NOT PROPOSING TO CHANGE IT. BUT WE IMPLEMENTED IT AS A RESULT OF THIS PROCESS A YEAR AGO AND IF YOU ARE INTERESTED ON AN UPDATE ON HOW THAT FEE IS PENCILING OUT, WE WOULD PROVIDE THAT TO YOU.

Councilmember Korte: I WOULD LIKE THAT BECAUSE I UNDERSTAND THAT THE PARTICIPATION HAS DROPPED DRAMATICALLY, AND I WOULD LIKE TO LOOK AT THAT AND SEE IF THAT FEE IS NECESSARY TO SERVE THIS SEGMENT OF OUR POPULATION.

Dan Worth: I THINK I HAVE THE RIGHT PEOPLE HERE TO DISCUSS THAT IF YOU WANT TO GET THE CONFORMANCE OF WHAT YOU HAVE HEARD. I THINK IT IS ABSOLUTELY TRUE. JAN CAMERON THE PARKS AND RECREATION AND HUMAN SERVICES DIRECTOR CAN FILL IN THE DETAILS.

Parks and Recreation and Human Services Director Jan Cameron: THANK YOU. MAYOR LANE AND COUNCILWOMAN, WHAT YOU MENTIONED THAT IN THE PEAK OF OUR AFTER-SCHOOL PROGRAM JUST PRIOR TO ESTABLISHING THE FEE WE WERE SERVING APPROXIMATELY 1,100 YOUNG PEOPLE FROM OUR SCHOOL DISTRICT AND CURRENTLY OUR NUMBERS ARE HOVERING AROUND 400. AT THIS TIME WE HAVE NOT BEEN ABLE TO IDENTIFY THE EXACT CAUSE OF THAT BECAUSE AT THE TIME WE ASSESSED THE FEE, THE BELL CHANGE IMPACTED THE DURATION OF TIME THAT THE KIDS WOULD BE OUT OF SCHOOL AND A LOT OF THE PROGRAMS PREVIOUSLY, SOME OF THE SCHOOLS WERE GETTING OUT AT 2:30 AND THEY WENT TO 3:15 SO PARENTS WERE MAKING A DECISION THAT POSSIBLY THE CHILD WOULD ONLY BE HOME IN A LATCHKEY ENVIRONMENT FOR AN HOUR SO THE ECONOMY HIT AND THERE'S A LOT OF DIFFERENT CONSIDERATIONS AT THIS TIME. BUT THE REALITY OF THIS CURRENT AFTER-SCHOOL PROGRAM IS WE ARE DOWN SIGNIFICANTLY.

Councilmember Korte: SO MY QUICK CALCULATION WE'RE DOWN ABOUT 60%?

Jan Cameron: YES. THAT IS CORRECT.

Dan Worth: MAYOR, COUNCILWOMAN, WHILE IT'S TEMPTING TO RELATE THAT DIRECTLY TO THE IMPOSITION OF THE FEE, IT'S A BIT MORE COMPLEX THAN THAT. WE DO HAVE MONEY THAT WE BUDGETED AS SCHOLARSHIP MONEY TO PAY THE FEE FOR LOW-INCOME MEMBERS OF OUR COMMUNITY AND THAT HASN'T BEEN CLAIMED.

Councilmember Korte: THAT HASN'T BEEN CLAIMED BECAUSE I DON'T THINK ANYONE KNOWS ABOUT IT.

Dan Worth: THAT COULD BE THE CASE.

Councilmember Korte: I WOULD LIKE RESEARCH OR A LITTLE BIT OF TIME LOOKING INTO THIS BECAUSE I THINK THOSE AFTER-SCHOOL PROGRAMS SERVE A POPULATION THAT IS UNDERSERVED AND I THINK IT'S \$50 A MONTH OR \$65, AND THAT'S A LOT OF MONEY TO SOME PEOPLE THAT NEED TO PUT FOOD ON THE TABLE. SO THAT'S JUST A REQUEST. THANK YOU.



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Mayor Lane: THANK YOU, COUNCILWOMAN. JUST TO THAT PARTICULAR PROGRAM, I KNOW WE INSTITUTED THAT AND HAD A SCHOLARSHIP PROGRAM FROM THE OUTSET, NOT ONLY FROM OUR FUNDS SET ASIDE BUT PRIVATELY TO HELP ANYBODY THAT WOULD QUALIFY FOR IT. ONE COMPARISON WE MADE WAS BETWEEN THE OTHER SERVICES MADE AVAILABLE THROUGH THE SCHOOL DISTRICT AND THROUGH THE BOYS AND GIRLS CLUB AND THE YMCA AND OTHER ORGANIZATIONS CHARGING SIGNIFICANTLY MORE, BUT I'M NOT SURE THAT SOME, WHEN THE MEANS TESTING CAME UP FOR THE SCHOLARSHIP MONEY, THAT THOSE OTHER PEOPLE, BY CHOICE, MAY HAVE TOOK OTHER OPTIONS AND WENT TO SOME OF THE OTHER FACILITIES THAT WERE OFFERED COMPETITIVELY, BUT I THINK IT'S WORTHY OF A LOOKSEE. IT WAS OBVIOUSLY A BUDGET ISSUE AS WELL AS AN ISSUE OF THE COMPETITION WITH NO MEANS TESTING EVERY OTHER AFTER-SCHOOL PROGRAM IN THE CITY. IN ANY CASE, THAT'S ALL I HAVE ON THAT, IF YOU WANT TO CONTINUE.

Dan Worth: FURTHER ON THE YOUTH SPORTS FEES. SCOTTSDALE SPORTS COMPLEX IS, OTHERWISE KNOWN AS THE CAP BASIN, THE MULTI-FIELD SOCCER COMPLEX, AGAIN, PRIMARILY ACHIEVING A GREATER DEGREE OF COST PER RECOVERY FOR THE MAINTENANCE AND OPERATION OF THAT FACILITY, TO INCLUDE THE ESTABLISHMENT OF A NEW FEE FOR MULTIPLE VENDORS THAT COME OUT AND SELL DURING TOURNAMENTS AND EVENTS. WE MENTIONED THE FILM FEE AND THE OTHER, AT THE BOTTOM, IS A CARD FEE TO PAY FOR REPLACEMENT CARDS, CLUB SAR AND OTHER FACILITIES WHERE WE HAVE A MEMBERSHIP CARD FOR ACCESS.

Mayor Lane: EXCUSE ME. COUNCILMAN ROBBINS HAS A QUESTION.

[Time: 01:34:41]

Councilman Robbins: THANK YOU. HOW DO WE IMPLEMENT THIS FEE? HOW DO WE MONITOR THIS? I COME TO MEETINGS AND THERE ARE PEOPLE OUT TAKING PICTURES ALL THE TIME TAKING PICTURES, SO ARE WE RUNNING OUT THERE AND CHARGING A FEE OR HOW DO WE DO THIS EXACTLY?

Dan Worth: THAT WILL BE A CHALLENGE. SOME OF THE GROUPS OUT THERE NOW ARE ACTUALLY GOING THROUGH OUR RESERVATION PROCESS AND RESERVING SPACE, PARTICULARLY THE GROUPS YOU SEE AROUND HERE, AND GETTING PRIOR APPROVAL AND WE WOULD IMPLEMENT THE FEE AND THEN SOME ARE JUST SHOWING UP. I'M NOT SURE THAT I CAN ANSWER THE QUESTION AT THIS POINT ABOUT WHAT WE'RE GOING TO DO. I DON'T THINK WE'LL HIRE NEW PEOPLE TO ENFORCE THE FILM FEE, BUT WE HAVE TO ESTABLISH A REASONABLE MEANS TO TRY TO IMPLEMENT THE POLICY.

Councilman Robbins: WHAT ABOUT PEOPLE THAT GO TO THE LOVE'S SCULPTURE STATUTE AND TAKE PICTURES THERE? HOW DO WE DISTINGUISH BETWEEN A COMMERCIAL ENTERPRISE AND NON-COMMERCIAL?

Dan Worth: OBVIOUSLY PEOPLE CAN STILL SNAP PICTURES WHEN THEY SEE OUR BEAUTIFUL PUBLIC ART COLLECTION AND ANYTHING ELSE AROUND THE CITY, BUT THE COMMERCIAL PHOTOGRAPHERS ARE SELF-IDENTIFYING, AND THEY ARE DOING IT FOR PROFIT AND USED TO PAYING FEES AT OTHER LOCATIONS, SO IT'S NOT OUT OF THE ORDINARY PRACTICE FOR THEM.

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Mayor Lane: THANK YOU. JUST ALONG THAT LINE, THERE WAS A FULL-FLEDGED WEDDING OUT HERE RIGHT IN FRONT OF CITY HALL THIS PAST WEEKEND AND PICTURES BEING TAKEN ALL OVER THE PLACE SO I FIGURE IF WE HAVE AN EVENT WHERE THEY RENT THAT SPACE FOR THAT, THAT WE THROW IN THE FILM FEES?

Dan Worth: MAYOR, I DON'T ACTUALLY HAVE THE ANSWER TO THAT ONE. I'M LOOKING HOPEFULLY AT BILL MURPHY.

Mayor Lane: I ACTUALLY HAVE SOME OF THE SAME QUESTIONS AS COUNCILMAN ROBBINS HAD AS FAR AS ENFORCEMENT. I SEE WE'RE GETTING A LOT OF USE OUT OF IT AND FROM ALL OVER THE VALLEY, SO I DON'T THINK, TO THIS POINT IN THE TIME, HAS INFRINGED UPON OUR ABILITY TO USE AND ENJOY THE PLAZA AND THE AREAS.

Executive Director Community Services Bill Murphy: JUST TO MAYBE EXPLAIN A LITTLE BIT, YOU KNOW, THE FEE THAT WE'RE CHARGING FOR THE FILMING IS PRIMARILY IN THE PARKS, SO WE WOULDN'T REALLY CONSIDER THE CIVIC CENTER AS THAT. SO IN THE PAST IF SOMEBODY WANTED TO COME AND DO SOMETHING IN THE PARK WE WOULD ALWAYS FIND THE NEAREST TENNIS COURT OR RAMADA, AND THAT WAS THE FEE. SO THIS GIVES US THE ABILITY TO HAVE FIXED FEE WE CAN ESTABLISH. TO ANSWER YOUR QUESTION TO THE CIVIC CENTER, THOSE REQUESTS, WE COULD WORK WITH THE CENTER FOR THE ARTS BECAUSE THAT'S HOW THE PERMITTING FEE IS ASSESSED IN THERE. AND THEY WOULD CONTACT THE CITY AND IN THAT CASE, WE COULD WORK WITH SOME OF THOSE VENDERS WHO COME IN HERE TO DO VARIOUS THINGS. BUT RIGHT NOW YOU CAN TAKE A PICTURE IN FRONT OF THE LOVE SCULPTURE, OF THE FOUNTAIN, OR CITY HALL AND WE DO NOT REGULATE ANY OF THAT THROUGH THE PARKS AND RECREATION AREA.

Councilman Robbins: WHEN PEOPLE ARE OUT OF CITY HALL FOR PROFESSIONAL PHOTOGRAPHY THEY ARE TAKING A PICTURE OF THE 1-YEAR-OLD OR THE QUINCEANERA CELEBRATIONS, WE WILL NOT BE REGULATING THAT?

Bill Murphy: RIGHT NOW WE ARE NOT REGULATING THAT.

Councilman Robbins: I KNOW THAT YOU ARE NOT DOING THAT RIGHT NOW, BUT ARE YOU PROPOSING THAT UNDER THIS PROGRAM.

Bill Murphy: THIS PROGRAM THAT WE ARE SUGGESTING IS SIMPLY RESTRICTED TO OUR PARKS SYSTEM.

Councilman Robbins: THANK YOU.

Mayor Lane: MR. WORTH, CONTINUE PLEASE.

[Time: 01:39:01]

Dan Worth: THE LAST PROPOSED FEE CHANGES FOR COMMUNITY SERVICES ARE BASICALLY CORRECTING SOME OMISSIONS FROM PREVIOUS YEAR'S SCHEDULE WITH MINIMAL REVENUE IMPACT. AND THE LAST AREA, UNDER THE NON-ENTERPRISE RATES AND FEES IS THE PUBLIC SAFETY AREA,

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ESSENTIALLY ESTABLISHING RATES FOR TWO NEW TRAINING OPTIONS, THE FIRE DEPARTMENT IS MAKING AVAILABLE TO THE COMMUNITY, AND THE OFF-DUTY INSURANCE WAIVER BASICALLY IS WHEN A PRIVATE ENTITY HIRES AN OFF-DUTY CITY POLICEMAN IT ALLOWS US TO INDEMNIFY THE CITY. THIS WAIVER OPTION ALLOWS US TO INSURE THAT EMPLOYEE THROUGH THE WORKERS' COMP, AND THEY PAY US INSTEAD OF HAVING TO PROVIDE THE INSURANCE THEMSELVES. THAT RATE IS ESTABLISHED THROUGH OUR RISK DEPARTMENT, IT IS A COST-RECOVERY RATE.

THE ENTERPRISE RATES AND FEES, AS I MENTIONED AT THE BEGINNING, OUR POLICY REQUIRES 100% RECOVERY OF ALL DIRECT AND INDIRECT COSTS FOR OUR ENTERPRISE RATES. AND THEY ARE BASED ON MULTIYEAR-5-YEAR PLANS TO ENSURE WE HAD SOME STABILIZATION OVER TIME AND WE HAVE A RATE FEE THAT ALLOWS US TO COVER LARGE CAPITAL EXPENSES AT THE TIME THEY OCCUR. I AM GOING TO TALK TO YOU ABOUT THE EASY PART OF THE ENTERPRISE RATES AND FEES. THE SOLID WASTE ENTERPRISE AND OUR AVIATION ENTERPRISE AREN'T PROPOSING ANY RATE CHARGES . SOLID WASTE HAS BEEN ABLE TO KEEP THEIR RATES STEADY FOR FOUR YEARS NOW, AND WHILE THERE ARE THINGS THAT COULD PUSH COSTS UPWARD IN THE NEAR FUTURE, THEY ARE VERY SENSITIVE TO FUEL COSTS, AND WE STILL PROJECT WE ARE HEALTHY FOR AT LEAST ANOTHER YEAR. AVIATION HAD SOME RECENT RATE INCREASES, BUT THEY HAVE RATES IN PLACE NOW THAT ALLOWS THEM TO COVER ALL OBJECTIVE COSTS FOR 13/14 AND AREN'T PROPOSING ANY INCREASES. FOR THE LAST PIECE I'M GOING TO ASK OUR WATER RESOURCES EXECUTIVE DIRECTOR BRIAN BIESEMEYER TO COME UP AND COMPLETE THE PRESENTATION WITH A DISCUSSION OF THE WATER AND WASTEWATER RATES AND FEES.

Mayor Lane: THANK YOU. MR. WORTH.

[Time: 01:41:51]

Water Resources Executive Director Brian Biesemeyer: MAYOR AND COUNCIL, FOR THE WATER AND WATER RECLAMATION FUNDS, THERE'S A NUMBER OF INFLUENCING FACTORS THAT INFLUENCE OUR COSTS. THE OPERATING COST DECREASES ARE A RESULT OF INDIRECT CHARGES, AND THEY HAVE GONE DOWN OVER THE LAST SEVERAL YEARS, PROJECTED TO GO DOWN BY \$600,000 FOR NEXT FISCAL YEAR AND \$500,000 THE YEAR AFTER THAT. THE DECREASES ARE ONE OF THE REASONS WE HAVE BEEN ABLE TO MAINTAIN STEADY WATER AND WASTEWATER FEES. ADDITIONALLY WE HAVE FILTER MEDIA REDUCED COSTS AND OUR FILTER MEDIA, GRANULAR ACTIVATED CARBON USED ON THE WATER SIDE TO REMOVE DISINFECTION BYPRODUCTS, AND COUNCIL APPROVED IN JUNE AN AGREEMENT WITH THE GRANULAR ACTIVATED CARBON (GAC) REGENERATION CONTRACT WHICH WOULD ALLOW A REDUCED COST. THIS FACILITY IS NOW BEING BUILT IN THE STATE AND THIS RESULTS IN A REDUCED COST IN TRANSPORTATION. WHICH RESULTS IN \$1.2 MILLION ANNUALLY IN SAVINGS FOR THE WATER FUND.

Mayor Lane: HAS THAT FACILITY BEEN BUILT?

Brian Biesemeyer: IT WILL BE ACTIVE THIS SUMMER. IT IS UNDER CONSTRUCTION AND WILL SOON BE FINISHED.

Mayor Lane: FOR THIS FISCAL YEAR WE SHOULD BE ANTICIPATING THE SAVINGS WE EXPECT, PRIMARILY BECAUSE OF THE REDUCTION OF TRANSPORTATION COSTS, IS THAT RIGHT?

Brian Biesemeyer: YOU ARE CORRECT.

Mayor Lane: WE SHOULD BE RECOGNIZING THAT'S WHY YOU ARE RECOGNIZING THOSE SAVINGS NOW?

Brian Biesemeyer: EXACTLY. IT'S NOT IN OUR CURRENT BUDGET AND WE WON'T RECOGNIZE IT THIS FISCAL YEAR BUT NEXT FISCAL YEAR WE WILL.

Enterprise Finance Manager Gina Kirklin: I WOULD LIKE TO CLARIFY THAT THE COST REDUCTION IS NOT EFFECTIVE UNTIL JUNE OF THIS YEAR, IT WILL BE EFFECTIVE FOR THE WHOLE FISCAL YEAR 14.

Mayor Lane: VERY GOOD. THANK YOU.

Brian Biesemeyer: OPERATING INCREASES, THE COST OF ELECTRICITY, AS WELL AS THE COST OF WATER. OUR WATER PURCHASE COSTS HAVE GONE UP APPROXIMATELY \$1 MILLION. ELECTRICITY COSTS ARE GOING UP. EVEN SMALL RATE INCREASES HAVE A DRAMATIC EFFECT ON OUR COSTS. I HAVE SLIDES LATER THAT I CAN SHOW YOU, THAT WE HAVE EFFICIENCIES IN THOSE AREAS BUT INCREASE IN ELECTRICITY DO MAKE A DIFFERENCE. WE HAVE FEDERAL REGULATIONS THAT ARE AFFECTING OUR COSTS, AND ONE IS IN OUR WATER METERS, AND THE EPA HAS RESTRICTED THE BRASS COMPONENT PARTICULARLY LEAD IN SOME FIXTURES. OUR WATER METERS ARE ONE OF THOSE. COSTS ARE INCREASED FOR THAT. ADDITIONALLY WE HAVE A LARGE COST FOR INFRASTRUCTURE REPAIR AND MAINTENANCE AND REGULATORY COMPLIANCE IN GENERAL.

BEFORE I GO INTO DETAILS ABOUT THE PROPOSED RATE INCREASES, I WOULD LIKE TO TALK TO YOU ABOUT SOME OF THE EFFICIENCIES IN THE WATER FUND AND OUR WATER RECLAMATION FUND. ON THE WATER SIDE, LOST AND UNACCOUNTED FOR WATER IS A MEASURED INDUSTRY STANDARD. IN 2011 AMERICAN WATER WORKS ASSOCIATION, ONE OF THE PREEMINENT ASSOCIATIONS FOR MUNICIPAL WATER PROVIDERS DID A SURVEY OF 21 UTILITIES ACROSS THE COUNTRY AND AVERAGE LOST AND UNACCOUNTED FOR WERE NON-REVENUE WATER FOR THOSE WAS OVER 22%. IN THE STATE OF ARIZONA WE HAVE A STANDARD OF 10% OR LESS. YOU CAN SEE FROM THIS GRAPH THAT WE ARE WELL UNDER THAT, WE ARE HALF OF THAT, AND THE REASON WE CAN DO THIS IS BECAUSE WE ARE QUICK TO RESPOND TO LEAKS AND CUSTOMER COMPLAINTS. WE HAVE ADVANCED SUPERVISORY CONTROL AND DATA ACQUISITION SYSTEMS, ELECTRONIC MONITORING SYSTEMS, AND WE HAVE AN ACTIVE MEDIA REPLACEMENT PROGRAM THAT ALLOWS US TO AVOID INACCURACIES IN METERING, WE HAVE PROACTIVE WATER CONSERVATION PROGRAMS AND MESSAGING AND WE HAVE CUSTOMERS WHO CARE.

Mayor Lane: THAT LAST SLIDE, DOES THAT INCLUDE WATER LOST THROUGH EVAPORATION OR OTHER NATURAL OCCURRENCES RATHER THAN LEAKAGE?

Brian Biesemeyer: IT COULD INCLUDE. WHEN YOU GET THE WATER IN AN OPEN WATER RESERVOIR AT A TREATMENT FACILITY, YES IT COULD INCLUDE SOME OF THAT. WHEN YOU GET DOWN TO THIS LOW, A LOT OF THAT PERCENTAGE IS ON THE METERING SIDE. WATER METERS HAVE A PLUS OR MINUS TWO PERCENT. TO GET BELOW THREE PERCENT IS NEAR IMPOSSIBLE WITH CURRENT TECHNOLOGY.

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Mayor Lane: WE ARE LOOKING AT HERE IS WATER WE TAKE IN VERSUS THE WATER WE SELL?

Brian Biesemeyer: CORRECT. IT'S LOST IN THE SYSTEM. WE TAKE ALL THE WATER WE GET FROM CAP OR WE PUMP OUT OF THE GROUND FROM WELLS, AND MEASURE THAT WITH WHAT WE METER OUT, AND THAT'S WHAT THE DIFFERENCE IS.

Mayor Lane: GOOD. THANK YOU.

Brian Biesemeyer: IN THIS GRAPH THE BLUE BARS REPRESENT OUR COST PER ELECTRICITY PER MILLION GALLONS THIS INCLUDES BOTH OUR WATER AND WASTEWATER TREATED. THE BLUE BARS ARE OUR COST THROUGH THE FISCAL YEARS. THE WHITE BAR REPRESENTS WHAT COULD HAVE OCCURRED WITH APS. WHAT ACTUALLY DID OCCUR WITH APS RATES OVER THE TIMEFRAME WENT UP OVER 30% IN THIS TIME PERIOD. IF WE HAVEN'T PROACTIVELY MANAGED OUR ELECTRICAL ACCOUNTS, OUR COST PER MILLION GALLONS WOULD HAVE GONE UP CLOSE TO WHERE THE WHITE BAR IS, AND WE HAVE BEEN PROACTIVELY MANAGING THE ACCOUNTS. THE DELTA THAT YOU SEE BETWEEN THE WHITE AND BLUE AND IN THE FISCAL YEAR '12, BASED ON PRODUCTION LEVELS FOR '12, IS A \$2.5 MILLION DIFFERENCE. SO THERE'S A LOT OF INPUT INTO THIS NUMBER, YOU CAN SEE BY PROACTIVELY MANAGING OUR ELECTRICITY AND OTHER PORTIONS OF OUR SYSTEMS, WE HAVE SUBSTANTIAL SAVINGS TO OUR CUSTOMERS.

Mayor Lane: HAVE WE REDUCED, AS MOST MUNICIPALITIES HAVE, REDUCED THE GALLONS WE HAVE PUMPED AND ARE MOVING? HAS THE DEMAND DROPPED OFF DURING THE SAME PERIOD OF TIME?

Brian Biesemeyer: WE HAVE SEEN SOME DEMAND, AND I DON'T HAVE THAT IN FRONT OF ME, AND CURRENTLY WE'RE GOING AT THE FY '12 LEVELS. OUR PEAK WAS SEVERAL YEARS AGO. ACTUALLY, I DO HAVE THAT IN FRONT OF ME. OUR POTABLE PRODUCTION PEAKED IN 2007 AND HAS SINCE LEVELED OFF. WE HAVE GONE DOWN SEVERAL PERCENTAGE POINTS. THE LAST SEVERAL YEARS HAVE BEEN STEADY.

Mayor Lane: BETWEEN 82 AND 75 WE ARE TALKING ABOUT 7 BILLION GALLONS, A LITTLE UNDER 10%. EVEN THOUGH IT HAS BEEN STEADY FOR THE LAST THREE YEARS. I CAN UNDERSTAND THAT YOUR VARIABLE COSTS LIKE POWER ARE POTENTIALLY IMPACTED POSITIVELY AND THEY CAN DROP WITH THE EXTENT OF LESS PRODUCTION OR MOVEMENT OF WATER. BUT YOUR FIXED COSTS ARE GOING TO INCREASE. I DON'T KNOW IF IT IS ON THE WATER SIDE OR THE SEWER SIDE. THE MOVEMENT OF LIQUIDS ARE A BIG PART OF THAT VARIABLE COST BUT THEY ARE ALSO A PART OF THAT FIXED COST THAT WE ARE INVESTED IN. THE COST PER GALLON MOVED VARIABLY SHOULD DROP A LITTLE BIT.

Brian Biesemeyer: YES, AS WE PRODUCE MORE OUR GENERAL COST AS A WHOLE DROPS OFF AND ELECTRICITY SLIGHTLY. BUT GENERALLY ELECTRICITY WILL STAY WITHIN THE AMOUNT OF WHAT WE PRODUCE. OUR OTHER COSTS WILL DROP OFF CERTAINLY LIKE PERSONNEL COSTS, OTHER FIXED COSTS DROP OFF. WHEN YOU MEASURE THINGS AS A WHOLE, YOU ARE CORRECT, OUR COST PER MILLION GALLONS WILL DROP. ELECTRICITY, NOT SO MUCH THOUGH.

Mayor Lane: OKAY. THANK YOU.

Item 14

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[Time: 01:52:05]

Vice Mayor Klapp: I ACTUALLY HAD A QUESTION THAT'S UNRELATED TO THIS. SO I CAN WAIT UNTIL LATER IF YOU WANT. BUT I WANTED TO JUST ASK IF IN LOOKING AT ALL THESE RATE CHANGES TODAY, DO WE KNOW IF THERE ARE GOING TO BE ANY CHANGES COMING TO US FROM THE COURT SYSTEM? HAVE YOU HEARD ANYTHING?

Acting City Manager Dan Worth: MAYOR, VICE MAYOR KLAPP, THEY HAVEN'T SUBMITTED ANY REQUEST FOR CHANGES. IT'S THE TIME THEY WOULD HAVE HAD TO DO THAT. SO I DON'T ANTICIPATE ANYTHING.

Vice Mayor Klapp: OKAY. THANK YOU. WE SAW THEM BEFORE AND WE DIDN'T SEE THEM THIS YEAR. THANK YOU.

Mayor Lane: THANK YOU VICE MAYOR. MR. BIESEMEYER, IF YOU WOULD LIKE TO CONTINUE.

Brian Biesemeyer: MAYOR AND COUNCIL, I'LL STAND CORRECTED BECAUSE MY EYES ARE A LITTLE OFF ON THIS WHAT I READ TO YOU ON THE PRODUCTION, THAT WAS IN ACRE FEET, NOT GALLONS WHEN I TALKED ABOUT TOTAL PRODUCTION.

FOR THE WATER FUND WE HAVE NO RATE INCREASES PROPOSED. FOR THIS NEXT FYI WE HAVE NOT HAD A RATE INCREASE SINCE 2009. WE DO PROPOSE, REFINING OR CLARIFYING SOME OF OUR RATE STRUCTURES AS WELL AS PULLING OUT AN IRRIGATION SPECIFIC RATE STRUCTURE WITHIN OUR RATES. WHAT WE FOUND IS WE'VE HAD SOME UNCLEAR STRUCTURE AS FAR AS DEFINING WHAT PARTICULAR CLASS RATES MAY BE IN AND I HAVE SOME MORE DEFINITION LATER THAT I'LL TALK TO YOU SPECIFICALLY ABOUT THAT. BUT IT'S REALLY TRYING TO DEFINE AND MAKE AS AN EQUITY MEASURE FOR OUR CUSTOMERS. TO MAKE SURE CUSTOMERS ARE IN THE RIGHT CLASS. THIS WILL HOWEVER RESULT IN SOME DECREASE IN REVENUES ON THE WATER FUND AS WE PUT CUSTOMERS CLEARLY MOVE FROM ONE CLASS TO ANOTHER. ADDITIONALLY, THE STORM WATER FEE WE'RE PROPOSING A FLAT STORM WATER FEE. WE'RE THE ONLY ONES IN THE VALLEY THAT HAVE A PERCENTAGE BASED STORM WATER FEE. THERE'S A SLIGHT ROUNDING ISSUE ON THIS BUT WE'RE NOT PROPOSING A REVENUE, SIGNIFICANT REVENUE INCREASE, ONLY PUTTING IT ON A FLAT BASIS SO WE CAN AVOID THE TAX INPUT ON THAT WHICH IS A PRIVILEGED TAX, ARIZONA STATE TRANSACTION PRIVILEGE TAX FOR STORM WATER.

BY PUTTING THIS ON A FLAT BASIS WE CAN AVOID THAT TAX FOR OUR CUSTOMERS. AND THEN THE SERVICE FEE CHARGES WE HAVE PROPOSED, WHICH YOU'LL SEE, ARE REALLY BASED ON OUR COSTS. ON THE WATER SIDE, OR THE WASTE WATER SIDE I AM SORRY, THE WATER ACCLIMATION SIDE, WE'RE PROPOSING AN INCREASE OF FOUR PERCENT. THE LAST RATE INCREASE WAS THREE PERCENT EFFECTIVE IN 2009. THE DRIVING FORCES BEHIND THIS ARE: AGING INFRASTRUCTURE AND THE NEED FOR REPLACEMENT AND REPAIR; INCREASED COST OF THE REPAIR AND INFRASTRUCTURE FOR OUR PARTNERS IN THE MULTI-CITY SUB-REGIONAL OPERATING GROUP (SROG), THAT IS WHERE WE'RE PARTNERS WITH THE CITY OF PHOENIX AND OTHER VALLEY CITIES AND WE SEND A PORTION OF OUR WASTE WATER DOWN TO THE 91st AVENUE WATER TREATMENT FACILITY, AND WE'RE OBLIGATED BY

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OUR AGREEMENTS TO PAY FOR THAT INFRASTRUCTURE AND AS A RESULT THERE'S A SIGNIFICANT AMOUNT OF COST THAT'S COMING UP.

AGAIN BECAUSE OF THE SROG, THIS ALSO HAS SOME AGING INFRASTRUCTURE ISSUES. THE ULTIMATE RESULT IS ABOUT A \$1.4 MILLION IN ADDITIONAL REVENUE. WE'RE ALSO PROPOSING TO ROLL IN THE ENVIRONMENTAL FEE INTO THE BASIC REVENUE REQUIREMENT, MERELY RECOGNIZING THAT ENVIRONMENTAL COSTS ARE PART OF OUR DOING BUSINESS AND THAT FEE IS JUST TO REMOVE THAT FROM THE FEE STRUCTURE.

[Time: 01:56:12]

Mayor Lane: MR. BIESEMEYER, COUNCILMAN ROBBINS HAS A COMMENT AND/OR QUESTIONS.

Councilman Robbins: HOW MUCH OF THE FOUR PERCENT INCREASE, IS DIRECTLY AFFECTED BY OUR MEMBERSHIP IN SROG OR THE REGIONAL FACILITY?

Brian Biesemeyer: MAYOR AND COUNCILMAN ROBINS, OUR TOTAL, I GOT A LITTLE CHART HERE, THAT SHOWS YOU OUR TOTAL EXPENDITURE. IT'S ROUGHLY ABOUT A THIRD OF OUR CAPITAL CHARGES AS WE GO FORWARD. THIS IS OUR FIVE YEAR CIP CASH FLOW, AT THE BOTTOM YOU CAN SEE OUR TOTALS OVER THE NEXT FIVE YEARS FOR OUR CITY SEWER PROJECTS VERSES OUR SROG SEWER PROJECTS. THEY'RE ROUGHLY ONE-THIRD OF THAT IS DUE TO OUR COMMITMENT TO SROG AND SROG TREATS A FAIR AMOUNT OF OUR WASTE WATER FLOWS. I DON'T THINK, IT'S NOT UNREASONABLY OR UN-PROPORTIONATE TO THE FLOWS THAT ARE BEING TREATED.

Councilman Robbins: SO THOSE NUMBERS AT THE BOTTOM, THE ACTUAL PROJECTS THEMSELVES WE'RE NOT GOING TO SEE THE INCREASES MIRROR THOSE THAT'S JUST THE ACTUAL CAPITAL EXPENDITURES?

Brian Biesemeyer: THAT'S THE CAPITAL EXPENDITURES NO WE DON'T EXPECT, NO.

Councilman Robbins: BECAUSE YOU'RE BONDING FOR THOSE?

Brian Biesemeyer: CORRECT. WE ARE BONDING AND USING FINANCING MECHANISMS TO COVER THOSE BECAUSE THEY TALK ABOUT THAT. THAT'S THE LIFE CYCLE OF THOSE ASSETS. THOSE ARE LONG-LIVED ASSETS AND WE TYPICALLY WILL PUT THOSE THROUGH FINANCING SO THAT FOLKS PAY FOR THOSE OVER THE LIFE OF THE ASSET.

Councilman Robbins: THANK YOU.

Mayor Lane: THANK YOU COUNCILMAN. JUST ON THAT SAME LINE, I GUESS WE'VE BEEN USED TO THE IDEA THAT THERE'S A COMPONENT WITHIN THE RATE STRUCTURE FOR DEBT SERVICE. YOU KNOW, AS AN ONGOING BASIS TO PAY OFF EXISTING DEBT SERVICE BUT THERE ALSO WAS A RESERVE FUNCTION FOR THOSE AREAS OF CAPITAL INFRASTRUCTURE, IMPROVEMENTS AND/OR REPAIRS THAT WERE ANTICIPATED WITH SOME ROUTINE. THIS INCREASE WE'RE TALKING ABOUT, IF IT'S ABOUT A THIRD OF GOING TO SROG (SUB-REGIONAL OPERATING GROUP), I'M JUST SAYING IN ROUGH NUMBERS SOMEWHERE IN THE AREA OF \$900,000 THAT GOES THE OTHER DIRECTION. THERE'S TWO THINGS,

TWO COMPONENTS I WAS WONDERING ABOUT. ONE IS THE RETURN FROM THE GENERAL FUND OF THE \$700,000 WE DECIDED TO SPLIT THAT RETURN OF MONEY, WHETHER THAT'S BEEN CALCULATED INTO THIS EQUATION AND THE OTHER IS WHETHER OR NOT THERE IS NOT AN OPPORTUNITY TO USE SOME OF THOSE RESERVES AS THEY'VE BEEN IDENTIFIED IN PAST YEARS FOR THOSE KINDS OF CAPITAL INFRASTRUCTURE REPAIRS AND MAYBE EVEN SMALL REPLACEMENTS THAT DON'T NECESSARILY QUALIFY FOR THE ISSUANCE OF A BOND.

Brian Biesemeyer: MAYOR, I CAN'T ANSWER THE FIRST ONE AND I'LL REFER THE SECOND ONE TO FINANCE. IN THE FIRST ONE, YES, THE PORTION OF THE INDIRECT COST HAS BEEN PUT INTO THE RATES AND THE REVENUE PROJECTIONS THAT WE HAVE. SO THAT'S THE COST.

Mayor Lane: THE RETURN OF THOSE MONIES?

Brian Biesemeyer: RIGHT, THAT'S BEEN FACTORED IN THAT. AS FAR AS THE COVERAGE, I'M GOING TO DIFFER TO MISS KIRK LAND.

[Time: 01:59:37]

Enterprise Finance Manager Gina Kirklin: MAYOR, MEMBERS OF COUNCIL, IN THE WATER AND SEWER ENTERPRISE FUNDS WE'RE REQUIRED TO HOLD THREE RESERVES. THERE'S AN OPERATING RESERVE THAT BY FINANCIAL POLICIES BETWEEN 60 AND 90 DAYS OF OPERATING EXPENSES. THERE'S ALSO A REPLACEMENT AND REPAIR RESERVE. THIS IS ACTUALLY A DEBT COVENANT THAT WE'RE REQUIRED TO HOLD TWO PERCENT OF OUR TANGIBLE ASSETS ASIDE IN THE RESERVE IN CASE OF EMERGENCIES. BECAUSE WE'RE SUPPOSED TO HOLD THIS FOR DEBT COVENANTS, IT WOULD BE UNWISE TO USE THAT RESERVE ON AN ONGOING BASIS OTHERWISE WE WOULD TRIGGER OTHER EFFECTS. THE FINAL RESERVE IS ACTUALLY AGAIN A DEBT REQUIREMENT TO HOLD A REVENUE BOND RESERVE EQUAL TO THE HIGHEST DEBT PAYMENT FOR THE LIFE OF THE REVENUE BONDS. SO THOSE THREE RESERVES ARE ACTUALLY OBLIGATED TO BE SET ASIDE AND WE DON'T DIP INTO THOSE RESERVES ON A HABITUAL BASIS.

Mayor Lane: OKAY SO EITHER BY POLICY OR STATUTE THEY'RE REQUIRED RESERVES THAT REMAIN IN PLACE FOR SOME COMPLETELY UNFORESEEN EVENT AND NOT HAVING FUNDS AVAILABLE FROM ANY OTHER SOURCE KIND OF THING. OK, SO THEY'RE NOT USED AS A MATTER OF ROUTINE AND THEY ARE REPLENISHED, THEY'RE JUST SIMPLY STAND BY.

Gina Kirklin: CORRECT

Mayor Lane: SO THOSE RESERVES ARE AT THE PROPER LEVEL AND I THINK THE DEBT RESERVE TYPICALLY IN THE POLICY THAT WE HAVE IS EQUIVALENT TO ONE YEAR'S DEBT PAYMENT. YOU HAD MENTIONED SOMETHING ABOUT THE HIGHEST AND MAYBE THERE'S VARIABLE DEBTS THAT YOU HAVE BUT, NEVERTHELESS, AND THEN THE OTHERS ARE PERCENTAGES THAT ARE PART OF THE DEBT COVENANTS' REQUIREMENTS TO PROTECT THE ASSETS UNDERLINED THE DEBT ITSELF.

Gina Kirklin: CORRECT.

Mayor Lane: ALL RIGHT THAT ANSWERS THAT. THANK YOU VERY MUCH.



[Time: 02:01:36]

Brian Biesemeyer: I'LL GET BACK ON MY SLIDES. THE NEXT SLIDE SHOWS THE DIFFERENCES FOR THE WATER FUND IN OUR DIFFERENT FEES. AS I MENTIONED WITH THE PROPOSAL FOR THE TIERED IRRIGATION RATE, WE HAVE A RATE, A COMMERCIAL RATE, THAT I'LL PUT UP HERE AND SHOW YOU AND REALLY ALL WE'RE DOING IS PULLING THAT OUT. AS YOU CAN SEE HERE, WE HAVE A MULTI-FAMILY/ RESIDENTIAL/ COMMERCIAL /NONRESIDENTIAL RATE AND THE IRRIGATION AND LANDSCAPE RATE WE PULLED OUT IT'S JUST TO DEFINE THAT AND TO CLEARLY HAVE FOLKS THAT ARE IN IRRIGATION GO INTO AN IRRIGATION RATE. WHAT WE HAVE IS LIKE HOA'S AND ONE OF THE ISSUES IS WITH HOA'S AND AN HOA MAY HAVE SOME METERS THAT ARE RESIDENTIAL METERS AND THEN ANOTHER METER THAT'S A COMMERCIAL METER. IT DOESN'T SEEM EQUITABLE THAT SOME ARE IN ONE AREA AND OTHERS ARE IN ANOTHER. WE WANTED TO CLEARLY DEFINE THAT AND HAVE THEM PULLED OUT, PUT THEM INTO THIS IRRIGATION RATE SO THAT WE'RE NOT DEALING WITH ANY INEQUITY WITH THE HOA'S AND BY DOING THAT, WE ESTIMATE THERE WILL BE SOME DECLINE IN REVENUE OF ABOUT HALF MILLION DOLLAR AS WE PULL THEM OUT. AGAIN, IT'S NOT GOING BACK ON A TIERED RATE STRUCTURE IT'S REALLY JUST DEFINING IT FOR OUR CUSTOMER CLASS.

THE OTHER STORM WATER FEE, THERE'S A SLIGHT INCREASE AS I MENTIONED, IT'S REALLY JUST THE ROUNDING. THE OTHERS THAT YOU'LL SEE ARE COST OF SERVICES WITH THE EXCEPTION OF OUR TAMPERING WITH METERS' CHARGES WHICH IS DESIGNED TO BE PUNITIVE AND IT MATCHES OTHER CITY'S COSTS IN THAT AREA, OUTSIDE COSTS, CHARGES IN THOSE AREAS.

IN THE WATER METERS, AGAIN THESE ARE BASED ON OUR HISTORICAL USAGE AND REFLECT OUR COST OF INSTALLING METERS AND SERVICES. WITH HYDRO METERS AGAIN IT'S THE SAME THING; IT'S OUR COST OF SERVICES. IT'S BEEN SEVERAL YEARS, OVER FIVE YEARS SINCE THESE HAVE BEEN UPDATED; WE NEED TO UPDATE THOSE TO MEET OUR CURRENT COSTS. THE ONE THAT'S PUNITIVE IS THE UNAUTHORIZED FIRE HYDRANT CONNECTION.

Mayor Lane: YOU KNOW I'M SORRY MR. BIESEMEYER, AS WE LOOK DOWN THESE PERCENTAGES OF CHANGE ARE SUBSTANTIAL. I'M WONDERING WHETHER OR NOT THEY ARE REFLECTIVE OF BEARING THE BURDEN, SIGNIFICANT BURDEN, IN THIS AREA. I MEAN A 221 PERCENT INCREASE, A 161 PERCENT INCREASE, A 111 PERCENT INCREASE. UNLESS I'M READING THIS WRONG, THAT SEEMS LIKE A SUBSTANTIAL CHANGE IN THE COST OF INSTALLING THOSE METERS AT ANY GIVEN SIZE AND FRANKLY, THE HYDRANT CHARGES ARE MODEST IN COMPARISON BUT, WELL, I TAKE THAT BACK, 50 PERCENT, 20 PERCENT, 567 PERCENT, 400 PERCENT. WHAT WOULD REALLY, I MEAN, IF YOU CAN, EXPLAIN TO ME HOW WE COULD FIND OURSELVES IN A POSITION TO CALL UPON IN THESE GIVEN AREAS THOSE KINDS OF INCREASES? I REALIZE THAT ALL IS IN A MATTER OF THE SIZE OF THE NUMBERS, I KNOW THAT, BUT STILL WE ARE TALKING ABOUT HUGE PERCENTAGE INCREASES.

Brian Biesemeyer: MAYOR AND COUNCIL, THAT'S A GREAT QUESTION AND A VERY VALID QUESTION. WE HAVE NOT UPDATED THOSE COSTS SINCE I BELIEVE 2007. SO IF YOU JUST DO THAT, THE WATER RESOURCES DIVISION JUST DID NOT UPDATE THOSE WHEN THEY SHOULD HAVE BEEN UPDATED WHEN THE COST OF METERS WAS GOING UP FOR A CONSIDERABLE AMOUNT OF TIME.

[Time: 02:06:15]

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Mayor Lane: ARE WE TALKING NOW, PARDON ME FOR INTERRUPTING, BUT YOU MENTIONED SOMETHING ABOUT THE CHANGE OF THE METAL COMPONENTS. ARE WE HAVING TO SWAP OUT AND HAVE A SIGNIFICANT CAPITAL CHARGE BY CHANGING OUT METERS THAT EXIST?

Brian Biesemeyer: WE DON'T HAVE TO CHANGE METERS OUT. THE EPA REQUIREMENT IS NOT THAT WE HAVE TO CHANGE THEM OUT, BUT IT DOES INCREASE OUR COST OF PURCHASING THESE METERS. SO THESE ARE GOING FORWARD, THERE IS AN INCREASED COST, WE DON'T HAVE TO SWAP OUT. THE REQUIREMENT IS THOUGH, WHAT WE'VE HISTORICALLY DONE, SO IT DOES AFFECT OPERATING COSTS. WHAT WE'VE HISTORICALLY DONE, IF WE CAN, IS TAKE THE METER OUT, TAKE IT TO OUR SHOP, REPLACE COMPONENTS AND THEN PUT IT BACK INTO THE GROUND AS A VALID, ACTIVE METER. WE CAN NO LONGER DO THAT. AS SOON AS WE TAKE THE OLD METER OUT THAT DOESN'T HAVE THE REQUIRED BRASS COMPOSITION, WE CAN NO LONGER PUT THAT BACK. SO THAT DOES INCREASE OUR COSTS ON THE METER REPLACEMENT PROGRAM.

Mayor Lane: BY THESE KIND OF PERCENTAGES THOUGH?

Brian Biesemeyer: THESE KINDS OF PERCENTAGES ARE PREDOMINANTLY FOR NEW METERS FOR SOMEBODY INSTALLING A NEW METER. SO THESE ARE THE NEW METERS' CHARGES. SO THE INCREASES THAT YOU SEE, AND I'LL GO BACK TO A FIVE- EIGHTH'S INCH METER. I CAN TELL YOU, THE 200 DOLLAR CHARGE IS WHAT WE PAY FOR A NEW METER. PROVIDING THE METER IS 70 DOLLAR TO SOMEBODY TO PUT IN A NEW HOME, THAT'S JUST DISCOUNTING IT WAY BEYOND WHAT OUR COSTS ARE. SOME OF THESE COSTS IN 2007, I CAN SAY ARE PROBABLY ON NON-AMR, SO THEY'RE NON-ELECTRONICALLY READ METERS. THEY'RE JUST A STANDARD METER AND ALL OUR METERS NOW ARE ELECTRONICALLY READ. WE THE GET A LOT OF SYNERGY BY NOT HAVING AS MANY METER READERS AND BEING ABLE TO DO IT MORE ACCURATELY AND, AS A RESULT, THE METERS ARE MORE EXPENSIVE.

Mayor Lane: YOU KNOW, I CAN UNDERSTAND JUST EVEN FROM MAYBE THE MANDATES THAT HAVE COME DOWN ON THE HOUSES, METERS HAVE TO BE MADE OR COMPONENTS WITHIN AND THE CHANGE IN TECHNOLOGY. BUT IT'S ALWAYS BEEN MY UNDERSTANDING THAT THE SIZE OF THE METER AND THE COST OF THE METER WAS A LITTLE BIT OFFSET BY THE FACT THAT SOMEBODY'S GOING TO BE PURCHASING THAT'S THE REASON IT WOULD GO UP AS FAR AS THE SIZE BECAUSE THEY'D BE PURCHASING A GREATER EXTENT OF WATER AND THEREFORE A LOT OF IT WOULD BE RECOVERED THROUGH THE USE OF THE METER IN THE SALE OF THE PRODUCT.

IT JUST SEEMS, AGAIN, I DON'T KNOW HOW OFTEN THIS COMES ABOUT BUT IT'S LIKE A LOT OF FEES THAT ARE ASSOCIATED WITH CONSTRUCTION WHEN YOU TALK ABOUT THESE KINDS OF PERCENTAGES OF INCREASE. IT'S DEFINITELY A PASS ON. IT'S JUST ABOUT LIKE A TAX. SINCE YOU DON'T HAVE ANY ALTERNATIVES IF YOU'RE GOING TO BUILD SOMETHING IN THE CITY OF SCOTTSDALE TO HAVE SOMETHING GO UP THAT SUBSTANTIALLY I'M A LITTLE CONCERNED ABOUT, YOU KNOW WHERE WE FIND OURSELVES, WITH THAT. I DON'T KNOW IF FURTHER EXPLANATION WOULD HELP. BUT YOU KNOW, YOU KNOW THE PENALTIES FOR UNAUTHORIZED USE AND THOSE KINDS OF THINGS. AND IN FACT THE FIRST CHARGE YOU HAVE ON HERE AS FAR AS UNAUTHORIZED SERVICE LINE CONNECTION, I CAN UNDERSTAND YOU KNOW WE HAVE A 400 PERCENT INCREASE IN THAT AND 90 PERCENT, 130, A COUPLE 400 PERCENTS. MAYBE WE'RE REALLY TRYING TO STING IT IF THAT'S REALLY A PROBLEM. AND YOU KNOW, I HAVE NO WAY OF GAGING THAT BUT EVEN THERE IT JUST SEEMS LIKE WE'RE GETTING A

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LITTLE OPPRESSIVE. BUT AS I'M LOOKING AT THESE METERS MAYBE IT DOESN'T SEEM LIKE MUCH BUT IF SOMEBODY'S TRYING TO BUDGET INTO A BUILDING TO BUILD IT HERE IN SCOTTSDALE I THINK THEY'RE GOING TO KNOW THEY'RE GOING TO USE A LOT OF WATER AND THAT METER IS THERE TO TRACK IT.

IT'S ALMOST LIKE A COST THAT OUGHT TO BE INCLUDED IN THE COST OF WATER SIMPLY BECAUSE IF I GET A ONE AND A HALF INCH METER AND I'M GOING HAVE TO PAY \$1,900 FOR IT, I KNOW THAT I'M GOING TO BE PAYING SOME BIG DOLLARS IN WATER BILLS BECAUSE THE FACILITY'S GOING TO REQUIRE A ONE AND A HALF INCH METER. BUT I DON'T KNOW, I DON'T KNOW IF THERE'S ANY OTHER CONCERN ABOUT THAT. IT JUST SEEMS LIKE A LITTLE BIT OF A JUMP AND WE'VE WATCHED A FEW OF THESE THINGS OCCUR ACROSS THE VALLEY EVEN WHERE SUDDENLY ONE YEAR THERE'S A CATCH UP GAME AND WE END UP WITH YOU KNOW HUGE INCREASES IN ONE EXPENSE OR ANOTHER FOR THE MUNICIPALITIES. WELL SOMETIMES FOR THE MUNICIPALITIES AND SOMETIMES FOR THE CUSTOMER OF THE MUNICIPALITY REGISTERING THE CONCERN ABOUT THAT. I WOULD ACTUALLY LIKE TO SEE WHAT THE THOUGHT PROCESS WAS IN THIS. IN 2007 MAYBE THEY JUST WERE NOT FOLLOWING THE SAME KIND OF THOUGHT PROCESS IN HOW DO WE RECOVER ON THESE METERS AND THEN AGAIN, AS PART OF OUR CONVERSATION HERE HAS BEEN THE CHANGES THAT HAVE BEEN REQUIRED BY THE METER AND INCREASED COSTS OF THOSE METERS. I'VE GOT COUNCILMAN LITTLEFIELD, I AM PRESUMING IT MAY BE ON THE SAME TOPIC.

[Time: 02:11:33]

Councilman Littlefield: NO, IT IS THE SAME TOPIC AND I SHARE THE MAYOR'S CONCERN. WOULD IT BE CORRECT TO CHARACTERIZE YOUR EARLIER EXPLANATION, OR YOUR EARLIER JUSTIFICATION FOR THESE CHANGES AS SAYING THAT THIS IS CATCHING UP TO WHERE IT OUGHT TO HAVE BEEN?

Brian Biesemeyer: THAT'S CORRECT MAYOR AND COUNCILMAN LITTLEFIELD, THAT'S CORRECT. THIS IS WHERE IT SHOULD BE TODAY. THESE RATES MATCH WHAT MOST OF THE REST OF THE PROVIDERS IN THE VALLEY HAVE.

Councilman Littlefield: I WOULD SUGGEST WE SHOULD CATCH UP A LITTLE MORE SLOWLY IN LIGHT OF NOT ONLY THE MAGNITUDE OF THE INCREASES BUT IN LIGHT OF THE STATE OF THE ECONOMY AND ALL THAT. I MEAN OTHERWISE, YOU'RE ENTERPRISE FUND IS IN PRETTY GOOD SHAPE AND I WOULD SUGGEST THAT WE NEED TO SPREAD THESE OUT AND IN FACT, I WOULD BE ILL INCLINED TO VOTE FOR THESE INCREASES ALL IN ONE YEAR AS YOU'VE GOT THEM PUT RIGHT HERE.

Mayor Lane: THANK YOU COUNCILMAN.

Brian Biesemeyer: MAYOR AND COUNCILMAN LITTLEFIELD, WE WILL GO BACK AND RETOOL THESE.

Mayor Lane: ALL RIGHT. THANK YOU, IF YOU'D LIKE TO GO AHEAD AND CONTINUE THEN.

Brian Biesemeyer: WELL FINALLY I'D LIKE TO LOOK AT THE WATER RECLAMATION PROPOSED INCREASE IN LIGHT OF WHAT OTHER VALLEY CITIES ARE CHARGING AND WHERE WE ARE. AS YOU CAN SEE FROM THIS GRAPH, THIS REPRESENTS A RESIDENTIAL CUSTOMER. IT'S USING 8,000 GALLONS OF SEWAGE SERVICES AS JUDGED THROUGH THEIR WINTER USAGE. TO ME, IT'S JUST QUITE AMAZING

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THAT WE CAN EVEN, THAT WE ARE THIS COMPETITIVE WITHIN LIGHT OF WHAT OTHER VALLEY CITIES JUST BECAUSE OF THE NATURE OF OUR WASTE WATER SYSTEM. WE HAVE OVER 2400 FOOT OF ELEVATION DIFFERENCES IN THE CITY, WE HAVE 1400 MILES OF MAIN, WE HAVE 35 LIFT STATIONS WHERE WE HAVE TO LIFT THE SEWAGE UP OVER GEOGRAPHICAL CONSTRAINTS AND CONTINUE TO PUSH IT DOWN TO THE TREATMENT FACILITIES. GIVEN THIS, I THINK IT'S A TRIBUTE TO THE WATER RESOURCE FOLKS NOW AND IN THE PAST AS WELL AS ENGINEERS AND OUR FINANCE STAFF THAT WE CAN BE THIS PRICE COMPETITIVE.

[Time: 02:14:00]

Mayor Lane: MR. BIESEMEYER JUST A NOTE ON THAT AND I'D SAY THAT SCOTTSDALE'S PROBABLY RIGHTFULLY SHOULD BE PROUD THAT WE'RE THIS EFFICIENT AND EFFECTIVE IN THIS REGARD GIVEN SOME OF THE DIFFICULTIES THAT WE MIGHT ENCOUNTER WITH THE ELEVATION CHANGES AND THAT, BUT THERE'S ALSO ANOTHER ITEM THAT I SUPPOSE IN SOME OF THESE MUNICIPALITIES. THESE FUNDS ARE ACCUMULATED AND RATE BASED UTILITIES ARE SOMETIMES USED IN OTHER AREAS AND THAT'S SOMETHING THAT WE'VE SHIED AWAY FROM OR AT LEAST ARE TRYING TO CORRECT. SO I THINK WE'RE PROBABLY A BETTER MEASURE OF WHERE THINGS OUGHT TO BE THAN SOME AND I'M NOT POINTING TO ANYONE IN PARTICULAR, BUT I LOOK THE CITY TO THE FAR RIGHT THERE, BUT IN ANY CASE, THOSE ARE ADDITIONAL THOUGHTS AS FAR AS THAT'S CONCERNED BECAUSE WE DO NOT USE IT AS ANY KIND OF HIDDEN TAX MECHANISM, AND WE'RE PROUD OF THE FACT THAT WE'RE EFFICIENT. WE'VE GOT A GREAT DEPARTMENT.

Brian Biesemeyer: THANK YOU MAYOR, YES, SIR. WE ARE. SORRY I'M GOING THE WRONG WAY. THE NEXT ONE IS ANOTHER TYPICAL RESIDENTIAL CONSUMER WITH 12,000-GALLONS, A LITTLE MORE CONSUMPTION. AGAIN YOU CAN SEE WHERE WE MEET PRICE WISE WITH OTHER CITIES IN THE VALLEY AND I CAN SAY THESE TWO, AND THEN ANY CONSUMPTION LESS, REPRESENT OVER 80 PERCENT OF OUR CUSTOMER BASE AS REPRESENTED BY THE LAST TWO SLIDES THAT I'VE SHOWN OR EVEN LESS. AS A MATTER OF FACT, OVER 60 PERCENT OF OUR CUSTOMER BASE, GIVEN THIS PROPOSAL, WOULD SEE A RATE INCREASE OF APPROXIMATELY ABOUT 91 CENTS PER MONTH AS THE RATES ARE PROPOSED.

Mayor Lane: EXCUSE ME MR. BIESEMEYER, COUNCILMAN LITTLEFIELD.

Councilman Littlefield: YEAH, GO BACK TO THAT LAST SLIDE. ONE OF THE PROBLEMS I'VE ALWAYS HAD WITH COMPARISONS BETWEEN CITIES IS, WELL IT'S ACTUALLY TWO PROBLEMS I HAVE. ONE IS THAT NOBODY DECIDES THEY'RE GOING TO MOVE TO SCOTTSDALE INSTEAD OF GLENDALE BECAUSE OUR SEWER FEE IS CHEAPER, ALL RIGHT. THE OTHER THING IS IS THAT THESE ARE SOMEWHAT ARTIFICIAL BECAUSE, ESPECIALLY SOME OF THOSE CITIES ON THE RIGHT, ONE OF THE THINGS THAT THEY DO THAT WE HAVE ATTEMPTED TO STOP DOING IN SCOTTSDALE IS CHARGING HIGH FEES IN THE ENTERPRISE FUNDS AND THEN USING OVERHEAD CHARGES TO SIPHON MONEY OUT OF THE ENTERPRISE FUNDS INTO THE GENERAL FUND SO, IN ESSENCE, THERE'S SOME CITY HAS THE USE FEES FOR THINGS LIKE WATER AND SEWER AS ACTUALLY SORT OF A BACK DOOR TAX. THEN THEY TAKE IT AND THEY CHARGE RIDICULOUS FEES TO THE ENTERPRISE FUND FOR OVERHEAD, LEGAL SERVICES, AND ALL THAT AND ONE OF THE THINGS WE DID RIGHT HERE WAS IN THE LAST COUPLE OF YEARS IS THAT WE HAVE SLOWED DOWN, ALTHOUGH I DON'T THINK WE'VE TOTALLY STOPPED THAT. SO I THINK THAT SOME OF THESE COMPARISONS, ESPECIALLY SOME OF THESE PEOPLE ON THE RIGHT THAT

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ARE HAVING TO PAY FOR BIG SPORTS STADIUMS, ARE A LITTLE BIT DISINGENUOUS AND I PREFER TO LOOK AT IT IN TERMS OF WHAT'S THE GENERAL HEALTH OF OUR WATER AND SEWER FUND AND ARE WE CHARGING ENOUGH TO KEEP IT HEALTHY AND TO MEET THE FINANCIAL CRITERIA FOR ENTERPRISE FUND WHICH IS TO BE SELF SUSTAINING BOTH ON AN ONGOING BASIS AND ON A CAPITAL BASIS AND WATER FUND IS DOING PRETTY GOOD. SO THAT'S ONE OF THE REASONS I'M LOATHE TO MAKE BIG INCREASES BECAUSE IN ESSENCE, IF YOU'RE A SCOTTSDALE RESIDENT, AND YOU'RE PAYING MORE FOR YOUR WATER, THAT'S KIND OF LIKE A LITTLE TAX INCREASE AND ESPECIALLY IF WE CAN'T JUSTIFY IT BY THE COST OF WHAT WE'RE DOING.

SO, I'M MORE INTERESTED IN IF YOU SAY TO ME I NEED TO INCREASE THIS FEE BECAUSE WE'RE NOT COLLECTING ENOUGH FOR CAPITAL, THAT'S A LOT MORE INTERESTING TO ME THAN SAYING WELL, WE NEED TO INCREASE THIS BECAUSE WE'RE CHARGING A LOT LESS THAN GLENDALE BECAUSE FRANKLY I DON'T CARE WHAT THEY'RE CHARGING IN GLENDALE. I JUST WANT TO MAKE SURE WE CHARGE ENOUGH TO KEEP OUR WATER FUND HEALTHY BUT NOT A PENNY MORE. SO THAT'S ONE OF THE REASONS I OBJECTED TO THE EARLIER CHARGES THAT YOU HAD UP THERE THAT THE MAYOR ALSO OBJECTED TO. MAYBE, MAYBE THERE'S SOME BUSINESSES THAT CARE ABOUT THAT BUT PEOPLE DON'T MAKE A DECISION ABOUT WHERE THEY'RE GOING TO LIVE BASED ON THE WATER HOOK UP FEE. BUT I GUARANTEE YOU IF WE WERE TO MAKE THE FEE INCREASES THAT YOU MENTIONED EARLIER, WE WOULD CERTAINLY HEAR ABOUT IT FROM PEOPLE AND THEY WOULD BE UPSET AND I THINK RIGHTLY SO. SO JUST SO YOU KNOW, FROM MY MIND, IT'S A QUESTION OF WHAT'S THE HEALTH OF THE FUND AND THAT'S HOW WE DETERMINE HOW MUCH WE CHARGE ENOUGH TO KEEP IT HEALTHY AND NO MORE.

[Time: 02:19:19]

Mayor Lane: THANK YOU COUNCILMAN. COUNCILMAN ROBBINS.

Councilman Robbins: THANK YOU MAYOR. I GUESS ALONG THOSE LINES, BECAUSE I'M ALSO INTERESTED IN KEEPING IT HEALTHY AND MAKING SURE THAT WE HAVE ENOUGH MONEY IN THOSE ENTERPRISE FUNDS TO RUN THEM PROPERLY AND I'D RATHER SEE A ONE OR TWO PERCENT INCREASE EVERY COUPLE YEARS RATHER THAN A FIVE, EIGHT PERCENT INCREASE YOU KNOW EVERY FOUR OR FIVE YEARS. SO I THINK WE SHOULD BUDGET THAT WAY SO WE'RE HAVING SMALLER BITES OF THE APPLE RATHER THAN A BIG BITE THAT'S A LOT MORE ONEROUS FOR PEOPLE BECAUSE I THINK PEOPLE ARE A LOT MORE LIKELY TO HAVE A SMALL INCREASE THAN ONE BIG ONE. SO AS YOU'RE LOOKING IN THE FUTURE, I'D RATHER SEE THAT KIND OF A THING WHERE, YOU KNOW, WE HAVEN'T HAD INCREASES IN FOUR OR FIVE YEARS IN SOME OF THESE FUNDS WHICH IS GREAT, BUT IF WE'RE STARTING TO GET BEHIND THE EIGHT BALL BECAUSE WE HAVEN'T HAD THE PROPER INCREASE THAT WE NEED TO MAKE SURE WE DO THAT INSTEAD OF HAVING A BIG INCREASE ONE YEAR BECAUSE WE HAVEN'T PLANNED PROPERLY FOR THE PAST FOUR OR FIVE YEARS. I'D LIKE TO SEE US APPROACH IT THAT WAY MORE LONG TERM THAN WE HAVE TO MAKE A BIG INCREASE BECAUSE WE'RE BEHIND THE EIGHT BALL.

Mayor Lane: THANK YOU COUNCILMAN. MR. BIESEMEYER YOU DON'T HAVE THE BENEFIT OF THE CONVERSATIONS THAT HAVE ENSUED OVER THE LAST FEW YEARS ACTUALLY IN THIS AREA AND JUST AS COUNCILMAN LITTLEFIELD AND COUNCILMAN ROBBINS HAVE SAID TOO AND WHAT I WAS ELUDING TO BEFORE IN MENTIONING THE CITY TO OUR RIGHT HAND COLUMN, THAT THE USE OF

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THOSE USER BASE UTILITY FEES FOR OTHER REASONS OTHER THAN WATER RESOURCE DEPARTMENT AND ITS USE. SO IT'S A CAREFUL AREA FOR US AND IT'S ONE THAT WE HAVE BACKED OFF OF. ONE OF THE REASONS THERE HAVEN'T BEEN INCREASES OVER THE LAST FEW YEARS IS BECAUSE WHEN WE REALLY DELVED INTO THIS AS A COUNCIL A FEW YEARS AGO WE FOUND THAT THERE WERE SIGNIFICANT EXCESSES OF RESERVES AND MONIES IN THERE MAYBE IN ANTICIPATION OF SOME HIDDEN NEED AND A NEED FOR A BACK DOOR TAXES THAT'S BEEN LABELED BY MANY. SO I TOO WANT OUR UTILITY, OUR WATER UTILITY TO BE A HEALTHY ONE, FOR SURE. I'M PROUD OF THE FACT THAT WE'RE EFFICIENT AND WHEN I BROUGHT UP THE IDEA OF WHAT WAS HAPPENING WITH THE METERS, I WAS MOST CONCERNED, AND I STILL AM, AS TO WHETHER OR NOT IT RELATES TO A FEDERAL MANDATE OF A CHANGE OUT. THAT'S WHY I MENTIONED IF WE WERE HAVING TO BACK UP AND CHANGE OUT METERS AND WE'RE NOW TRYING TO SPREAD THAT NEW COST OVER NEW METERS EVEN THOUGH I'M NOT SURE THAT I LIKE THAT METHODOLOGY. I THINK THE PRIMARY THING WHEN YOU MENTION THE FACT THAT WE'RE WAY BEHIND WHERE OTHER COMMUNITIES ARE WITH REGARD TO THE COST OF METERS, I SHARE COUNCILMAN LITTLE FIELD'S FEELINGS AND HAVE FOR THE LAST SEVERAL SESSIONS ON THIS SUBJECT. THAT THAT'S NOT WHAT MOTIVATES US TO INCREASE RATES. IF WE'RE TRYING TO RECOVER BECAUSE OVER ALL WE NEED TO INCREASE COST TO COVER OUR TRUE COST, NOT ON A TRYING TO FOLLOW THE LEADERS IN THESE AREAS OR OTHERWISE, THEN I THINK WE'RE ON BOARD AND IT'S JUST A MATTER OF HOW WE TRANSLATE THAT TO THE COMMUNITY WHETHER IT COMES FROM METERS OR WHETHER IT COMES FROM WATER RATES OR WHATEVER, BUT MAKING SURE WE'RE MEETING THE NECESSARY REVENUES TO KEEP OUR FUNDS, KEEP I SHOULD SAY, OUR WATER RESOURCE DEPARTMENT HEALTHY AND UP TO DATE AND MEETING ALL OF THE POTENTIAL MANDATES, BUT WE'VE GOT A NUMBER OF WAYS TO DO THAT.

[Time: 02:22:46]

Brian Biesemeyer: MAYOR, I UNDERSTAND AND I WAS TRYING TO SHOW A RELEVANCY. NOT THAT THOSE ARE OUR COSTS WITH THOSE METERS, THOSE ARE OUR COSTS FOR METERS. I'M ONLY TRYING TO SHOW RELEVANCY WITH OTHER CITIES, NOT THE FACT THAT WE WERE TRYING TO DISCOUNT ANYTHING. WE JUST WANTED TO SHOW YOU OUR COST AND WHEN WE DID THE PROPOSED COST FEES THAT YOU SAW FOR METERS, THOSE WERE BASED ON OUR INTERNAL COSTS, NOT ANY OTHER CITIES. WHAT OUR CONTRACTS SHOW, WHAT OUR LABOR COSTS ARE AND ETC. THE FACT THAT THEY'RE A HUGE INCREASE IS THE FACT THAT WE HAVE NOT INCREASED THOSE WHEN WE SHOULD HAVE TO SHOW COSTS THROUGH THE YEARS AND SO WE ARE, AS COUNCILMAN ROBBINS MENTIONED, WE ARE MAKING UP FOR A LOT OF GROUND IN THIS ONE TIME AND SO WE'LL GO BACK AND RETOOL AND TRY TO PHASE THOSE IN OVER TIME TO MAKE THOSE EASIER FOR OUR CUSTOMERS IN THOSE AREAS.

Mayor Lane: WELL THE BOTTOM LINE BRIAN IS IF YOU NEED \$1.4 MILLION DOLLARS TO MEET YOUR COST INCREASES THAT'S WHAT WE WANT TO SEE AND HOWEVER THAT TRANSLATES INTO RATES, YOU KNOW THAT'S, YOU KNOW, I'M SURE THAT WE'LL UNDERSTAND THAT.

Brian Biesemeyer: THANK YOU MAYOR. WE DO NEED THE \$1.4, AS YOU SAW WITH THE METERS THERE'S HUGE INCREASES BUT IF YOU WENT AND LOOKED AT THE NET DOLLAR VALUE TO OUR FUND IT'S VERY SMALL AND I UNDERSTAND TO AN INDIVIDUAL CUSTOMER THAT MAY BE A VERY LARGE INCREASE AND IN THAT WAY WE CAN TRY TO PHASE THOSE IN BUT, TO THE FUND, THE INDIVIDUAL METER COSTS ARE VERY SMALL.

Mayor Lane: I UNDERSTAND THAT. OK, THANK YOU.

Brian Biesemeyer: ANY FURTHER QUESTIONS?

Mayor Lane: SEEING NONE. THANK YOU VERY MUCH. I THINK WE GOT QUESTIONS ANSWERED AS WE WENT THROUGH. SO AGAIN, THANKS VERY MUCH MR. BIESEMEYER AND I APPRECIATE IT.

Brian Biesemeyer: THANK YOU MAYOR AND COUNCIL.

**ITEM 15 – CITY’S PROPOSED FISCAL YEAR 2013/14 GENERAL FUND REVENUE ASSUMPTIONS REQUESTS:**

[Time: 02:24:52]

Mayor Lane: COMPLETING ITEM 14 THEN WE MOVE ON TO 15, WHICH IS THE CITY’S PROPOSED FISCAL YEAR 13/14 GENERAL FUND REVENUE ASSUMPTIONS, AND IT LOOKS LIKE WE WILL START WITH A PRESENTATION FROM SUSAN CHRISTENSEN.

Tax Audit Manager Susan Christensen: MAYOR, AND MEMBERS OF COUNCIL, I’M SUSAN CHRISTENSEN, THE CITY’S TAX AUDIT MANAGER. BEFORE I GET STARTED I WOULD LIKE TO THANK MY DIRECTOR, DENNIS ENRIQUEZ, WHO HAS ASKED THAT I GIVE THIS PRESENTATION ON MY 26TH WORKDAY WITH THE CITY OF SCOTTSDALE.

Mayor Lane: WELCOME.

Susan Christensen: BEFORE I GET STARTED ON THE PRESENTATION, I WOULD JUST LIKE TO GIVE YOU A LITTLE BACKGROUND. IN THE TAX AUDIT OFFICE, WE HAVE EIGHT AUDITORS AND MYSELF, AS A TAX AUDIT MANAGER, AND ONE OF OUR DUTIES IS TO PREPARE THESE FORECASTS FOR THE BUDGET OFFICE ALONG WITH OUR PRIMARY GOAL WHICH IS TAXPAYER AUDIT EDUCATION, AND WE DO EDUCATE TAXPAYERS THROUGH HELPING THEM WITH CODE AND ALSO PROVIDING THEM THE MEANS TO SELF COMPLY. IN 2008/2009 WE WERE TAXED BY A TASK BY THE GENERAL MANAGER FOR FINANCIAL SERVICES AT THE TIME TO PREPARE THESE FORECASTS FOR THE BUDGET OFFICE.

NOW I’D LIKE TO START THE PRESENTATION BY TALKING TO YOU ABOUT HOW WE BASE OUR FORECAST, WHAT WE USE TO BASE OUR FORECAST. FIRST AND FOREMOST WE LOOK AT TAX REPORTING HISTORIES BY CATEGORY. HERE AT CITY OF SCOTTSDALE WE HAVE 10 CATEGORIES AND WE DO FORECASTS MONTHLY IN THOSE TEN CATEGORIES. WE LOOK AT CURRENT TRENDS AND PATTERNS. WE LOOK AT AVAILABLE RECORDS IN HOUSE BUILDING PERMITS AND SUCH. WE ALSO RELY HEAVILY ON ECONOMIC STUDIES BECAUSE WE ARE TASKED TO FORECAST THE FUTURE, WE DO RELY HEAVILY ON THESE STUDIES AND THEY’RE VERY HELPFUL, AND THEN WE ALSO USE OTHER REPORTS.

SOME OF THE SOURCES THAT WE’RE USING ARE THE TAXPAYER REPORTING HISTORIES AS I SAID BEFORE. WE’RE USING “ARIZONA’S ECONOMY”, AND THAT IS PUT OUT BY ELLER COLLEGE OF MANAGEMENT. WE DO LOOK AT BUILDING PERMITS. WE LOOK AT SMITH TRAVEL REPORTS THAT

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HELPS US WITH THE TOURISM. WE ARE USING USDA (UNITED STATES DEPARTMENT OF AGRICULTURE) COST OF FOOD INDEX. THAT HELPS US WITH GROCERY AND RESTAURANT FORECASTING. CONSUMER SPENDING REPORTS WE'RE USING THOSE FOR OUR RETAIL SECTION AND THEN WE ARE USING ARTICLES QUITE HEAVILY IN A LOT OF THESE BUSINESS JOURNALS AND ALSO IN LOCAL NEWSPAPERS. I HAVE TO TELL YOU, IN 26 WORKING DAYS HERE, I'VE RECEIVED MANY ARTICLES FROM MY STAFF ON TRENDS AND THINGS THAT ARE HAPPENING, NOT ONLY IN SCOTTSDALE BUT THROUGHOUT THE NATION.

[Time: 02:28:00]

THEN FOR OUR AUTOMOTIVE SIDE WE USE THE U.S. SALES REPORTS. THE FIRST SLIDE IS GOING TO SHOW YOU OUR GENERAL FUND, 1.1 PERCENT TAX, HISTORY AND FORECAST. WE HAVE FOUR YEARS OF ACTUAL RESULTS, OUR CURRENT YEAR, AND THEN FIVE YEARS OF FORECASTING. THIS IS THE 1.1 PERCENT OF THE TOTAL SALES TAX OF 1.65; THIS IS JUST THE GENERAL FUND PORTION: ONE PERCENT GENERAL FUND AND POINT ONE IS PUBLIC SAFETY.

YOU'LL NOTE ON THE SLIDE THAT THERE ARE YELLOW DOTS IN THE CURRENT YEAR OF THE FORECASTED YEAR, THAT'S WHERE THE CURRENT BUDGET WAS. SO WE FORECASTED A FIVE PERCENT INCREASE IN FISCAL YEAR 12/13 OVER THE PRIOR YEAR AND WE ARE SAYING NOW THAT WE'RE GOING TO HAVE A THREE PERCENT INCREASE. SO YOU'LL SEE THAT IN ALL THESE SLIDES. THAT LITTLE YELLOW DOT AND THE YELLOW NUMBER REPRESENTS THIS FISCAL YEAR'S BUDGET. SO FOR THIS TEN YEAR HISTORY AND FORECAST OUR PEAK YEAR WAS FISCAL YEAR 06/07, WHERE WE WERE AT \$120.2 MILLION DOLLARS. YOU CAN SEE THAT THERE IS A DRAMATIC DROP IN 08/09. THERE WAS A DROP IN 07/08. BUT 08/09 IS DEFINITELY WHEN WE STARTED TO SEE A BIG DROP.

SO FOR FISCAL YEAR 13/14 WE ARE PROPOSING SALES TAX REVENUES OF THE GENERAL FUND OF \$100.3 MILLION DOLLARS. WHEN WE DO THE FORECASTING WE LOOK AT, LIKE I SAID, 10 CATEGORIES. WE HAVE ONE SMALL CATEGORY THAT WE'VE ROLLED UP IN RETAIL/OTHER SO IT'S NOT ON THIS SLIDE, BUT WE DO HIGHLIGHT, WE HAVE THREE ACTUAL LARGE, WHAT WE CONSIDER CATEGORIES AND THEN ON THIS SLIDE YOU'LL SEE NINE OTHER SUBCATEGORIES UNDER THAT. SO HOW DOES THE \$100.3 MILLION IS BROKEN OUT FOR FISCAL YEARS 13/14 IS 54 PERCENT IN CONSUMER SPENDING, 14 PERCENT IN TOURISM AND ENTERTAINMENT, AND 32 PERCENT IN BUSINESS.

Mayor Lane: EXCUSE ME ONE SECOND. MISS CHRISTENSEN WE DO HAVE A COMMENT OR A QUESTION FROM COUNCILMAN LITTLE FIELD.

Councilman Littlefield: RENTAL. WHAT DOES RENTAL INCLUDE? IS THAT LIKE APARTMENT RENTAL? HOUSE RENTAL? CARPET CLEANER RENTAL?

Susan Christensen: MAYOR AND COUNCILMAN LITTLE FIELD, THAT'S RESIDENTIAL AND COMMERCIAL RENTAL, SO IT'S RENTAL OF SPACE.

Councilman Littlefield: SO IF I RENT OFFICE SPACE I'M PAYING RENTAL TAX ALSO?

Susan Christensen: YES.



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Councilman Littlefield: THANK YOU. DO YOU HAVE A BREAK DOWN AS TO HOW MUCH OF THAT IS RESIDENTIAL AND HOW MUCH OF THAT IS COMMERCIAL?

Susan Christensen: WE DO HAVE THAT BREAK DOWN. I DON'T HAVE THAT AVAILABLE WITH ME. WE COULD GET THAT FOR YOU.

Councilman Littlefield: YEAH, YOU MIGHT WANT TO SEND ME THAT STAT LATER. THANK YOU.

[Time: 02:31:09]

Susan Christensen: OKAY. WE'D BE HAPPY TO. SO UNDER CONSUMER SPENDING WE, FOR THE FIRST THREE, SMALL AND LARGE RETAIL, MISCELLANEOUS GOODS AND SERVICES AND GROCERIES ARE CONSIDERED RETAIL HERE IN THE CITY OF SCOTTSDALE AND 41 PERCENT OF YOUR BUDGET FOR FISCAL YEAR 13/14 IS RETAIL. AUTOMOTIVE SALES ARE COMING IN AT 13 PERCENT OF THE TOTAL BUDGET. TOURISM AND ENTERTAINMENT 14, AND UNDER THE BUSINESS CATEGORY, WE HAVE CONSTRUCTION AT 11, RENTAL AT 14 AND WHAT WE CONSIDER AN OTHER CATEGORY WHICH IS UTILITIES, LICENSES, PENALTIES AND INTEREST AT SEVEN PERCENT.

NOW I'D LIKE TO GO THROUGH THE INDIVIDUAL CATEGORIES, SUBCATEGORIES AND GIVE YOU A LITTLE HIGHLIGHT ON EACH. FOR FISCAL YEAR 13/14 FOR CONSUMER SPENDING FOR SMALL AND LARGE RETAIL, MISCELLANEOUS GOODS, SERVICES AND GROCERIES WE'RE LOOKING AT A FOUR PERCENT INCREASE. AND HOW WE FORECAST THAT IS BASED ON SEVERAL SOURCES AND WHAT WE'RE SHOWING IS THAT RETAIL HASN'T SHOWN THE SAME DECLINE AS THE OTHER CATEGORIES OVER THE PAST FISCAL YEARS. IN 2013, IT'S EXPECTED TO GROW LESS RAPIDLY THAN BUDGET; WE BUDGETED A SIX PERCENT INCREASE AND WE'RE ONLY SEEING A TWO PERCENT INCREASE. HOWEVER THE PROPOSED BUDGET IS ONLY THREE PERCENT BELOW THE PEAK YEAR OF FISCAL YEAR 06/07. WE ARE NOTING IN OUR FORECAST THAT USDA EXPECTS COST OF FOOD TO INCREASE THREE TO FOUR PERCENT.

THIS BAR GRAPH REPRESENTS OUR HISTORY AND OUR FORECAST FROM 2008/09, TO 17/18. THE PEAK YEAR WAS 06/07 AT 42.7. THIS IS ACTUALLY ONE OF THE TWO CATEGORIES THAT YOU'LL SEE TODAY THAT IS GOING TO RETURN OR EXCEED THAT PEAK YEAR IN FISCAL YEAR 14/15. WE'RE PROPOSING \$41.6 MILLION DOLLARS FOR FISCAL YEAR 13/14 IN SALES TAX REVENUE.

FOR CONSUMER SPENDING AUTOMOTIVE, WE'RE PROPOSING A NINE PERCENT INCREASE FOR 13/14. THE PERFORMANCE FISCAL YEAR 12/13 PERFORMANCE EXPECTED TO EXCEED THE BUDGET AND WE'RE LOOKING AT SEVEN PERCENT, SORRY, -10 PERCENT VERSES SEVEN AND THAT CATEGORY WILL CONTINUE TO INCREASE BASED ON RECENT LOCAL AND NATIONAL TRENDS. WE ARE STILL NOTING THAT HIGH FUEL PRICES ARE SPURRING PURCHASES OF MORE FUEL EFFICIENT VEHICLES AND THERE WILL BE A NEW AUTOMOTIVE DEALER OPENING UP IN FISCAL YEAR 13/14, BELL LEXUS.

THIS IS A BAR GRAPH REPRESENTING THE HISTORY AND THE PROPOSED BUDGET AND FUTURE FORECAST FOR AUTOMOTIVE. YOU CAN SEE ONCE AGAIN, WELL ACTUALLY PEAK YEAR WAS 05/06 NOT 06/07, 18.2 MILLION. THE DRAMATIC DROP HAD TO DO WITH A COUPLE OF THINGS, THE ECONOMY DEFINITELY IMPACTED THAT AND WE LOST SOME OF OUR MCDOWELL DEALERS DURING THAT PERIOD

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OF TIME. AND WE ARE PROPOSING A \$12.8 MILLION BUDGET FOR 13/14 WHICH IS UP NINE PERCENT FROM THIS FISCAL YEAR.

FOR TOURISM AND ENTERTAINMENT, WHICH IS 14 PERCENT OF THE TOTAL BUDGET FOR 13/14. WE'RE PROPOSING A FOUR PERCENT INCREASE AND WE ARE NOTING THAT CONSUMERS HAVE BEEN DINING OUT MORE. OUR HOTEL OCCUPANCY IS UP, ALTHOUGH WE ARE SEEING THAT HOTEL RATES ARE STILL CONTINUING TO RECOVER SLOWLY. THIS PROPOSED BUDGET IS ONLY FOUR PERCENT BELOW THE PEAK FISCAL REVENUE OF 06/07 AND THIS IS ACTUALLY THE SECOND CATEGORY THAT WILL RETURN TO PEAK ALONG WITH RETAIL IN 14/15.

THIS IS THE BAR GRAPH REPRESENTING THE HISTORY OF THE PROPOSED BUDGET AND THE FUTURE FORECAST FOR TOURISM AND ENTERTAINMENT AND WE ARE PROPOSING 14.2 PERCENT, I'M SORRY \$14.2 MILLION DOLLARS, WHICH IS A FOUR PERCENT INCREASE OVER THIS CURRENT FISCAL YEAR.

NOW FOR CONSTRUCTION, WHICH IS 11 PERCENT OF THE TOTAL PROPOSED TAX REVENUE BUDGET, WE ARE PROPOSING A THREE PERCENT INCREASE OVER FISCAL YEAR 12/13. WE ARE NOTICING THAT THERE IS STILL CURRENT DEMAND FOR NEW RESIDENTIAL, IT CONTINUES TO BE LOW, EXCEPT FOR OUR MULTI-FAMILY DWELLINGS. THE MARKET IS STILL ABSORBING SOME EXCESS COMMERCIAL PROPERTIES, SO THAT IS CAUSING NO NEW CONSTRUCTION IN COMMERCIAL FACILITIES AND THEN THE LAND AVAILABLE FOR NEW CONSTRUCTION IS LIMITED PARTICULARLY WITH 1/3 OF THE CITY'S LAND UNDER PRESERVATION OR INTENDED TO BE PRESERVED. THERE IS A DIRECTION FOR REDEVELOPMENT. IT DOES HELP THIS CATEGORY AND ONE THING I WANT TO NOTE WITH OUR FORECASTING IN THIS AREA IS THAT WHEN WE LOOK AT BUILDING PERMITS HERE IN THE CITY OF SCOTTSDALE WE ARE NOTING THAT, OR WE ARE USING A FORECAST MODEL, WHERE WE LOOK AT THE PERMITTING PROCESS AND WE'RE LOOKING AT 12 TO 18 MONTHS BEFORE WE BRING IN THE SALES TAX REVENUE BEFORE IT STARTS TO COME IN ON THESE CONSTRUCTION PROJECTS.

[Time: 02:37:10]

Mayor Lane: MISS CHRISTENSEN, WE HAVE COUNCILMAN PHILLIPS HAS A QUESTION OR A COMMENT.

Councilman Phillips: THANK YOU MAYOR. I TEND TO BE MORE OPTIMISTIC ON THE CONSTRUCTION END OF THIS. I THINK THAT SINGLE FAMILY HOMES IS DEFINITELY INCREASING. I HEARD THAT ONE STOP SHOP IS FULL RIGHT NOW AND THEY CAN'T EVEN GET TO ALL THEIR PERMITS, SO I'M MORE OPTIMISTIC. I THINK WE'RE GOING TO HAVE A BETTER THAN THREE PERCENT INCREASE IN 13/14.

Susan Christensen: OKAY. I'LL BE HAPPY MAYOR AND COUNCIL MEMBER PHILLIPS, I'LL BE HAPPY TO TALK A LITTLE BIT MORE ABOUT THAT ONCE WE SEE THE NEXT SLIDE ON THE BAR GRAPH.

Councilman Phillips: THANK YOU.

Susan Christensen: THIS SLIDE A BIT DIFFERENT FROM THE OTHER SLIDES. IT STILL HAS THE SAME ASPECTS. IT'S SHOWING A PEAK YEAR, IT'S SHOWING OUR TOTAL PROPOSED BUDGET, IT'S SHOWING OUR CHANGE FROM BUDGET TO OUR FORECAST FOR THIS FISCAL YEAR, BUT YOU WILL NOTICE THAT IT'S BROKEN UP. THE BOTTOM SECTION OF THE BAR ARE OUR OTHER CONTRACTORS SO THOSE ARE OUR PLUMBERS, OUR SMALLER CONTRACTORS THAT ARE NOT BUILDERS PER SE. SO THE BUILDERS

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ARE IN THE BLUE AND THE OTHER CONTRACTORS ARE IN THE PINK EXCEPT IN THE PROPOSED YEAR WE'RE USING A DIFFERENT COLOR SO THAT STANDS OUT. BUT WHAT WE NOTED IN THIS PARTICULAR CATEGORY IS THE CONSTRUCTION FOR SOME TIME WAS HARD FOR THEM TO FORECAST AND GET A GOOD HANDLE ON AND SO WHAT WE DID JUST VERY RECENTLY IS TAKE A LOOK AT WHAT KIND OF PERMITS WERE COMING THROUGH THE CITY AND THE MODEL IS AND HAS BEEN TO BASE A VALUE ON THOSE PERMITS BASED ON WHAT TYPE OF PERMIT IT WAS. NOW WE DUG IN TO SEE WHAT KIND OF PERMITTING WE WERE LOOKING AT INSTEAD OF JUST TAKING EVERY PERMIT AND ASSIGNING A RANDOM DOLLAR VALUE TO IT AND AS YOU CAN SEE OUR OTHER CONTRACTORS HAVE REMAINED PRETTY STEADY OVER THE YEARS, BUT OUR BUILDERS HAVE DECLINED DRASTICALLY AND THAT IS REALLY WHERE OUR HIGHER DOLLAR VALUE IS THAT'S OUR LARGER HOMES, IT'S OUR COMMERCIAL FACILITIES UNDER CONSTRUCTION. WE ARE SAYING THAT WE'RE GOING TO BE SEVEN PERCENT ABOVE LAST YEAR SO THE THREE PERCENT THAT WAS NOTED ON THE PRIOR SLIDE IS NOT CORRECT? WE DID NOT CHANGE THAT. WE RECENTLY CHANGED THIS WHEN WE REALIZED THAT THIS WAS AN ISSUE AND WE LOOKED AT HOTELS THAT WERE BEING BUILT. WE HAVE 5300 APARTMENTS, SORRY, APARTMENTS THAT WERE BEING BUILT, SO WE REVISED OUR FORECAST FOR THAT CONSTRUCTION, SO SEVEN PERCENT, MORE OPTIMISTIC. JUST SO YOU NOTE TOO, THE PEAK YEAR WAS 06/07, 23.5, SO WE DON'T ANTICIPATE EVER REALLY COMING BACK TO THAT PEAK AREA UNLESS THERE'S SOME SIGNIFICANT TAX INCREASE AND THAT'S LIKELY NOT GOING TO HAPPEN.

NOW RENTALS, AND THIS IS RENTALS OF SPACE. WE ARE FOR FISCAL YEAR 13/14 WE'RE LOOKING AT A THREE PERCENT INCREASE. WE ARE STILL SHOWING WEAKNESS IN RESIDENTIAL CONSTRUCTION BUT IT'S BEEN PARTIALLY OFFSET BY RESIDENTIAL RENTAL. NEW APARTMENTS ANTICIPATED OPENING TO BEGIN RENTING DURING THE LAST HALF OF THAT FISCAL YEAR 13/14. COMMERCIAL VACANCIES CONTINUE TO DECREASE AND, IN TURN, THE RATES ARE REMAINING PRETTY FLAT TO LOWER AS THEY'RE TRYING TO GET THOSE SPACES FILLED. THE RETAIL RENTAL RATES ARE STARTING TO INCREASE HOWEVER.

THIS IS THE BAR GRAPH THAT REPRESENTS THE 14 PERCENT RENTALS OF THE TOTAL BUDGET. PEAK YEAR WAS 07/08 AT 14.8 MILLION. YOU'LL NOTICE THAT WE DIDN'T HAVE AS SIGNIFICANT A DROP IN THIS CATEGORY AND WE ARE PROPOSING \$13.6 MILLION FOR THIS YEAR WHICH IS A THREE PERCENT INCREASE OVER 12/13'S FORECAST.

[Time: 02:41:46]

NOW IN THE OTHER CATEGORY, UTILITIES, LICENSE FEES, PENALTIES, AND INTEREST WE'RE PROPOSING A TWO PERCENT INCREASE FOR 13/14. WE ARE SHOWING VACANCIES ARE REFLECTING UTILITIES; WE LOOK AT A PERCENTAGE OF THOSE. WE ARE SHOWING THAT EVEN THOUGH THAT IS TAKING MORE OF A BITE THAN THE INCREASE IN THE RENTAL PROPERTIES. WE DID HAVE AN SRP (SALT RIVER PROJECT) INCREASE IN NOVEMBER OF 2012 BUT IT REALLY IS NOT SIGNIFICANT AS SRP IS NOT A LARGE UTILITY PROVIDER, IT'S THE SMALLEST UTILITY PROVIDER IN THE CITY OF SCOTTSDALE. AT A THREE PERCENT INCREASE WHEN YOU TAX ON THREE PERCENT OF THE SMALL PROVIDER YOU'RE NOT GOING TO SEE A WHOLE LOT OF EXCESS INCOME. OUR LICENSE FEES ARE SHOWING A SLIGHT INCREASE AND THAT'S OUR PRIVILEGE AND SALES TAX LICENSING, SO THAT DOES INDICATE THERE'S MORE BUSINESSES OUT THERE GETTING LICENSES. HOPEFULLY WE'RE ENCOURAGING THEM TO DO SO, PART OF THAT TAXPAYER EDUCATION. AND THEN FOR PENALTIES AND INTERESTS, IT'S A VERY HARD CATEGORY TO FORECAST BECAUSE IT'S BASED ON REALLY TIMELINESS OF FILING AND WE DON'T

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REALLY KNOW MONTH TO MONTH WHO'S GOING TO BE TIMELY AND WHO ISN'T, SO WE REALLY FORECAST THOSE FLAT.

SO THE BAR GRAPH WILL SHOW YOU THE PEAK YEAR WAS 09/10 AT 7.6 MILLION AND WE'RE PROPOSING 7.2 MILLION, TWO PERCENT INCREASE FROM THIS CURRENT FISCAL YEAR.

OTHER FACTORS THAT PLAY INTO OUR FORECAST AND ALSO IMPACT OUR ACTUAL RESULTS ARE LARGE ONE TIME AUDIT RECOVERIES, LARGE UNANTICIPATED REFUNDS, UNANTICIPATED CLOSURES OF LARGE RETAILERS WHICH WE HAD TWO OF THIS CURRENT FISCAL YEAR, AND LARGE UNANTICIPATED TAXABLE TRANSACTIONS BY WHOLESALERS AND MANUFACTURES. WHEN ANY OF THOSE FOUR THINGS HAPPEN, WE IN THE TAX AUDIT OFFICE COMMUNICATE THAT TO THE BUDGET OFFICE AND TO DAVID SMITH TO LET HIM KNOW THAT THERE ARE GOING TO BE SOME SWINGS IN THOSE MONTHLY NUMBERS.

MY LAST GRAPH IS 1.1 PERCENT SALES TAX HISTORY AND FORECAST COMPARED TO BUDGET. SO FIRST I WOULD LIKE TO THANK MY STAFF, MY NEW STAFF, FOR THE HARD WORK THEY PUT INTO THESE FORECASTS AND I THINK THAT THIS SLIDE IN PARTICULAR SHOWS HOW GOOD THEY HAVE GOTTEN AT THIS FORECASTING. THEY TOOK THIS OVER IN 08/09. THE BUDGET TO ACTUAL DIFFERENCE WAS 18 PERCENT THAT YEAR AND FROM 09/10 UP UNTIL THIS CURRENT FISCAL YEAR THEIR PERCENTAGES, THEY'RE GETTING VERY CLOSE TO BEING RIGHT ON WITH THEIR FORECASTS. IN FACT, A ZERO PERCENT IN 10/11. THIS SLIDE DOES SHOW THE DIFFERENCE FROM THE FORECASTED OR THE ACTUAL NUMBERS TO BUDGET. SO YOU CAN SEE FOR THIS FISCAL YEAR 12/13 THAT WE ARE PROPOSING WITH OUR FORECAST THAT WE'RE GOING TO BE DOWN ONE PERCENT IN SALES TAX COMPARED TO THE BUDGET THAT WAS PROPOSED.

AND THEN IN SUMMARY, THIS GIVES YOU ANOTHER LOOK BACK AT WHAT WE HAVE DISCUSSED.

[Time: 02:45:42]

Mayor Lane: EXCUSE ME MISS CHRISTENSEN, WE HAVE A QUESTION OR A COMMENT FROM VICE MAYOR.

Vice Mayor Klapp: I THINK IT'S JUST A QUESTION OF PHILOSOPHY. THROUGHOUT THE PRESENTATION AND THROUGHOUT THE YEAR AND THE LAST PAST FEW YEARS WE'VE CONTINUED TO LOOK AT OUR PEAK YEAR WHICH IS PRIMARILY 2007, WHICH IS BECOMING LESS AND LESS RELEVANT. WHY DO WE COMPARE WHERE WE ARE NOW TO WHERE WE WERE IN 2007? I DON'T SEE WHERE IT SERVES ANY GREAT PURPOSE. THAT WAS ALMOST A BUBBLE TIME PERIOD WHERE SPENDING WAS RABID AND PROPERTY VALUES WERE PARTICULARLY OVER VALUED AND WE KNOW THERE WAS A BIG DROP RIGHT AFTER THAT, SO I'M JUST CURIOUS AS TO WHETHER OR NOT WHEN WE FINISH THIS BUDGET YEAR IF WE'RE GOING TO CONTINUE TO LOOK AT THE PEAK YEAR WHICH SEEMS LESS AND LESS RELEVANT TO ME.

Susan Christensen: MAYOR AND COUNCILWOMAN KLAPP, I APPRECIATE THAT INPUT. I WOULD TEND TO AGREE, I THINK IT'S JUST THERE FOR COMPARISON PURPOSE, I THINK MAYBE TO UNDERSTAND HOW DRASTIC THE ECONOMY SHIFT WAS FOR THE CITY OF SCOTTSDALE. WE CAN TAKE THAT UNDER ADVISEMENT FOR NEXT YEAR'S PRESENTATION.

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Mayor Lane: THANK YOU VICE MAYOR AND THANK YOU MISS CHRISTENSEN.

Susan Christensen: THE SUMMARY DOES SHOW YOU ONCE AGAIN HOW THE BUDGETED CHANGES FOR THE YEAR. SO IN THAT FIRST COLUMN WE'RE SHOWING THE BUDGET OTHER THAN THE ONE, WE DO HAVE THE RIGHT ONE FOR CONSTRUCTION ON THAT ONE, THE CHANGE YEAR OVER YEAR FOR OUR PROPOSED REVENUE BUDGET, AND THEN THE NEXT IS THE PERCENTAGE BREAK DOWN OF OUR TOTAL BUDGET BY THOSE CATEGORIES EQUALING OUT TO 100 PERCENT. THE FINAL COLUMN IS THE COMPARISON TO THE PEAK YEAR, SO IT'S SHOWING THAT WE'RE ONLY 83 PERCENT AT THIS POINT IF WE WERE LOOKING BACK TO WHERE WE WERE IN 06/07.

Mayor Lane: YOU KNOW MISS CHRISTENSEN I DON'T KNOW THAT THIS IS NECESSARILY RELEVANT TO THE CONVERSATION THAT WE'RE HAVING RIGHT NOW BUT I THINK A POINT OF INTEREST WOULD BE HOW, IF THERE IS A SHIFT OF WHAT THE PERCENTAGES IN EACH OF THE CATEGORIES YOU HAVE LISTED THERE ON THE LEFT, HOW THAT AS A PERCENTAGE OF THE TOTAL PROPOSED BUDGET, HOW THAT MAY CHANGE OR REVENUE I SHOULD SAY ON THE PROPOSED BUDGET, HOW THAT MIGHT CHANGE FROM YEAR TO YEAR. INDICATING THAT IT'S 41 PERCENT IS RETAIL, I'M CURIOUS AS TO HOW THAT MIGHT HAVE CHANGED. AUTOMOTIVE, THERE ARE YEARS THAT THAT MIGHT HAVE CHANGED TOO, AGAIN I'M NOT SURE IT WILL TELL US MUCH OTHER THAN THE FACT THAT, AND I THINK ABOUT AREAS LIKE CONSTRUCTION WHICH IS UNDER PARTICULAR STRAIN RIGHT NOW WITH SOME OF THE PROPOSED CHANGES IN THE LAW THAT WE ARE STRUGGLING WITH RIGHT NOW, BUT THE FACT THAT IT'S 11 PERCENT OF OUR PROPOSED REVENUE IN THE BUDGET FOR THIS COMING FISCAL YEAR, IT'S SUBSTANTIAL, WHETHER IT'S CONSTRUCTION, AND HOW THAT MAY NORMALLY MAY BE DECLINING. AUTOMOTIVE OBVIOUSLY HAS HAD ITS UPS AND DOWNS TOO SO IT'S, I DON'T KNOW IF IT'S A POINT OF INTEREST TO ANYONE ELSE BUT IT DOES SEEM TO BE ONE OF THOSE THINGS WHERE I THINK IT'S NICE TO KNOW HOW WE'VE CHANGED OUR MIX ON THAT SIDE OF THINGS.

Mayor Lane: COUNCILMAN PHILLIPS.

[Time: 02:49:25]

Councilman Phillips: THANK YOU MAYOR. ACTUALLY I KIND OF LIKE THE PERCENTAGE OF THE PEAK YEAR BECAUSE IT GIVES YOU A GOOD INDICATION OF THAT WAS THE BEST WE WILL PROBABLY EVER WILL BE AND THEN WHEN YOU LOOK AT THAT IT'S LIKE WE'RE NOT THAT FAR OFF IN CONSIDERING THE BAD ECONOMY THAT WE'VE HAD AND WE HAVEN'T REALLY PULLED OUT OF IT YET. LOOKING AT THAT, I MEAN, ASIDE FROM CONSTRUCTION, I THINK THAT WE'RE DOING PRETTY GOOD. I THINK THE CITY AS A WHOLE, WE'RE DOING GOOD. SO I LIKE THAT COMPARISON, IT GIVES ME A GOOD WAY TO SEE HOW WE'RE PROGRESSING. SO THANK YOU.

Mayor Lane: THANK YOU COUNCILMAN. COUNCILMAN ROBBINS.

Councilman Robbins: THANK YOU MAYOR. YEAH, I THINK THAT PERCENTAGE OF THE PEAK YEAR IS ALSO INTERESTING BECAUSE ESPECIALLY AS FAR AS CONSTRUCTION GOES BECAUSE WE'RE NEVER GOING TO BE BACK, NEVER SAY NEVER I GUESS, BUT YOU KNOW WE JUST DON'T HAVE LAND AVAILABILITY AND WE'RE NOT BUILDING HOMES LIKE WE USED TO AND IT ALSO POINTS OUT THE FACT THAT RETAIL SALES TAXES ARE STILL THE DRIVER IN THIS CITY AND PAYS FOR MANY OF THE SERVICES

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THAT WE ENJOY. SO I GUESS FROM A RESOURCES STANDPOINT, IF THAT'S WHAT'S DRIVING OUR REVENUES YOU KNOW ARE WE FOCUSED ENOUGH ON THOSE AREAS TO KEEP THAT AS A DRIVER AND IS THAT THE RIGHT PLACE WE WANT TO POINT TO BECAUSE WE SURE TALK A LOT ABOUT TOURISM AND ENTERTAINMENT AND WHEN YOU LOOK AT SOMETHING LIKE THIS IT'S ONLY 14 PERCENT. NOW I KNOW THAT BLEEDS OVER INTO RETAIL BECAUSE PEOPLE THAT VISIT SCOTTSDALE ALSO SHOP AND AUTOMOTIVE IS PRETTY FAR DOWN FROM ITS HISTORIC HIGHS AS WELL AND WE'RE HOPING TO GET SOME OF THAT BACK, BUT THE MIX CHANGES OVER TIME AND SO AS A CITY ARE WE FOCUSED FROM A BUSINESS DEVELOPMENT STANDPOINT? I KNOW WE'RE GOING TO HAVE SOME OF THESE DISCUSSIONS LATER BUT ARE WE FOCUSED ON THE RIGHT AREAS TO GENERATE THE MOST REVENUE THAT WE CAN TO PROVIDE THE SERVICES THAT WE'RE PROVIDING? SO ARE WE OVERLY FOCUSED ON THE OTHER CATEGORY OR OVERLY FOCUSED ON CONSTRUCTION WHEN THOSE ARE SUCH A SMALLER PORTION OF WHAT WE REALLY NEED TO GENERATE TO PAY FOR THE SERVICES THAT OUR CITIZENS WANT? SO IT'S MORE OF A PHILOSOPHICAL DISCUSSION THAN ANYTHING BUT JUST POINTING THAT OUT. THANK YOU.

Mayor Lane: THANK YOU COUNCILMAN AND NOT TO PILE ON THE COMPARISON WITH PEAK YEAR, BUT I WOULD SAY I THINK THAT THERE IS SOMETHING TO BE SAID AS WE LOOK AT - WE ALWAYS TRY THE GAUGE OURSELVES ON A RECOVERY PATH AND I SUPPOSE THAT'S THE EASIEST POINT OF REFERENCE WE CAN GIVE OURSELVES OVER THE LAST FOUR YEARS HOW CLOSE HAVE WE COME TO RECOVERING ON THAT? NOW, I'VE STIRRED VICE MAYOR KLAPP TO DEFEND HERSELF, BUT IN ANY CASE. VICE MAYOR.

[Time: 02:52:07]

Vice Mayor Klapp: NO, I'M NOT TRYING TO DEFEND MYSELF. BUT THE REASON I BRING IT UP IS THAT I TALK TO A LOT OF BUSINESS PEOPLE THAT RUN BUSINESSES AND THEY ALL TALK ABOUT HOW'S BUSINESS AND HOW'S IT GOING AND EVERYONE SAYS THEY DO NOT TRY TO LOOK AT THEIR PEAK YEAR ANY MORE BECAUSE IT'S GOING TO TAKE THEM SO LONG TO GET THERE THAT THEY HAVE TO BE REALISTIC ON THEIR FORECASTING, AND SO IT'S AN INTERESTING FIGURE TO LOOK AT. I'M NOT DISREGARDING HOW INTERESTING IT WAS THAT WE BROUGHT IN ALL THIS MONEY BACK IN 2006 AND 2007. BUT IN REALITY, AND IN RUNNING A BUSINESS, IF YOU'RE TRYING TO HIT YOUR PEAK YEAR, YOU'RE PROBABLY NOT GOING TO GET THERE FOR QUITE A LONG TIME IF EVER DEPENDING ON THE BUSINESS. THAT'S THE ONLY REASON I BRING IT UP IS THAT IT'S NOT THAT IT'S NOT AN INTERESTING FIGURE, BUT IN FORECASTING AND PLANNING I STILL DON'T SEE THE TRUE RELEVANCE OF IT. I THINK WE HAVE TO LOOK AT MORE RECENT YEARS, AND CURRENT YEAR OBVIOUSLY, THAN TO GO BACK THAT FAR AND SAY WELL GEE, MAYBE SOME DAY WE'LL GET BACK TO OUR PEAK YEAR. WELL I THINK MOST BUSINESS PEOPLE THAT I TALK TO JUST DISREGARD THAT TIME PERIOD. AS I SAID, IT WAS AN ANOMALY ALMOST. PEOPLE WERE SPENDING MONEY LIKE THEY HAD IT EVEN THOUGH THEY DIDN'T. SO THAT'S MY ONLY POINT, AND I SAID IT'S PHILOSOPHICAL. I'M NOT TRYING TO GET ANYBODY TO AGREE WITH ME, IT'S A PHILOSOPHY OF WHETHER OR NOT PEAK YEAR IS IMPORTANT TO YOU OR NOT AND IT'S NOT NECESSARILY IMPORTANT TO ME. I DISREGARD IT WHEN I LOOK AT THE NUMBERS THAT YOU PROVIDE.

Mayor Lane: THANK YOU VICE MAYOR. I SUPPOSE GAUGE OURSELVES ON THE NEW NORMAL. COUNCILMAN LITTLEFIELD.

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[Time: 02:54:01]

Councilman Littlefield: WELL THE REASON I ASKED THE QUESTIONS ABOUT THE RENTAL FIGURES WAS THAT BACK IN ABOUT 2004, 05, 06 WE APPROVED A TON OF CONDO DEVELOPMENTS AND THE BIGGEST OF THEM NEVER GOT BUILT AND I'M GUESSING THAT EVEN THOUGH WE'VE APPROVED A TON OF APARTMENT BUILDINGS, THAT THEY ALL WON'T GET BUILT EITHER. SO YOU MIGHT WANT TO LOOK BACK AT THAT EXPERIENCE AND REMEMBER THAT JUST BECAUSE WE APPROVE THE ZONING FOR ONE DOESN'T MEAN THAT THEY'RE GOING TO GET THEIR MONEY OR THAT SOMETHING ELSE ISN'T GOING TO HAPPEN. I NOTICE IF YOU GO DOWN TO TEMPE, YOU'LL SEE A WHOLE BUNCH OF LARGE APARTMENT BUILDINGS THAT GOT STARTED AND NEVER GOT BUILT, NEVER GOT FINISHED, AND SO THEREFORE NEVER GOT RENTED, AND THEREFORE TEMPE DIDN'T GET ANY RENTAL INCOME OUT OF THEM AND THEY ALSO DIDN'T GET ALL THE CONSTRUCTION TAX REVENUE THAT THEY EXPECTED. SO YOU MAY WANT TO FACTOR IN THAT SOME PERCENTAGE OF THESE, JUST BECAUSE THEY'RE APPROVED DOESN'T MEAN THAT THEY'RE GOING TO ACTUALLY GET BUILT AND EVEN THE ONES THAT GET BUILT PROBABLY WILL TAKE LONGER TO GET BUILT THAN THEY ORIGINALLY PREDICTED, SO JUST FOOD FOR THOUGHT.

Susan Christensen: MAYOR AND COUNCILMAN LITTLEFIELD, WE HAVE SEEN THAT OVER THE LAST COUPLE YEARS THAT EVEN PERMITTED, YOU KNOW WE WERE LOOKING AT 12 TO 18 MONTH PERIOD AND SOME PERMITS WOULD EXPIRE. SO THEY ARE TRYING TO FACTOR THOSE INTO THEIR FORECAST. AND TO ANSWER THE QUESTION, OR THE COMMENT THE MAYOR HAD EARLIER ABOUT THESE PERCENTAGES, THE BREAK DOWN, THESE ARE NEARLY IDENTICAL TO LAST YEAR'S BREAK DOWNS AND I DIDN'T HAVE A PRESENTATION FOR THE PRIOR YEAR, I CAN GO BACK AND LOOK, BUT THERE IS LIKE A ONE PERCENT SWING IN ONE AND A ONE PERCENT SWING IN THE OTHER. SO THEY ARE VERY SIMILAR.

Mayor Lane: WELL THANK YOU FOR THAT ANSWER MISS CHRISTENSEN. COUNCILWOMAN KORTE.

Councilmember Korte: THANK YOU MAYOR. COULD YOU GO BACK TO THE AUTOMOTIVE SLIDE, THE BAR GRAPH? I DON'T KNOW WHAT PAGE THAT IS, PAGE NINE MAYBE, I DON'T KNOW. KEEP GOING - I THINK IT'S THE NEXT ONE. SO THE PEAK BACK IN 05/06, NOT TO HONE IN ON THE PEAK, BUT THE PEAK WAS REALLY THE HEIGHT OF MCDOWELL ROAD AND THOSE AUTO DEALERS ON MCDOWELL ROAD AND THE WHOLE MOTOR MILE MARKETING EFFORT, AND THAT WAS 05/06. I HAPPENED TO HAVE BEEN THERE, AND THE DIFFERENCE OF 18.2 MILLION TO TODAY'S 12.8 CAN DIRECTLY BE RELATED TO THE LACK OF MOTOR MILE I BELIEVE, WHICH LEADS ME TO SAY THAT WHILE WE'LL NEVER HAVE THE TAX REVENUE IMPACT ALONG MCDOWELL ROAD THAT WE ONCE HAD BACK IN 05/06, I BELIEVE THAT MCDOWELL ROAD CAN MAKE UP SOME OF THESE TAX REVENUES IN DIFFERENT WAYS AND IF WE CREATED A PLAN AND IMPLEMENTED A PLAN, I THINK WE CAN MAKE UP SOME OF THESE DIFFERENCES. IT'S NOT GOING TO BE IN AUTOMOTIVE BUT IT'S GOING TO BE IN MANY OTHER WAYS WHETHER IT'S RETAIL OR ITS RENTALS AND ON AND ON. THANK YOU.

Mayor Lane: THANK YOU COUNCILWOMAN . WELL IF WE HAVE COMPLETED WITH THAT LAST SLIDE.

Susan Christensen: YES, THAT WAS THE LAST SLIDE.

Mayor Lane: I SEE NO FURTHER COMMENTS AND I WANT TO THANK YOU VERY MUCH FOR YOUR PRESENTATION ON YOUR 26TH DAY AND AN EMPHASIS ON THAT, AND VERY THOROUGH, AND I

APPRECIATE THE ANSWERS TO THE QUESTIONS. SO THANK YOU ALL FOR YOUR PARTICIPATION IN THAT AS WELL.

Susan Christensen: THANK YOU.

[Time: 02:58:26]

Mayor Lane: WELL THAT COMPLETES OUR REGULAR AGENDA ITEMS. WE HAVE, I WANTED TO AVOID THAT. IT'S GETTING LATE AND WE ALL KNOW. I'M SORRY MR. SMITH.

City Treasurer David Smith: YOU'RE NOT GOING TO SHUT ME UP THAT EASILY MR. MAYOR.

Mayor Lane: MISS JAGGER, WOULD YOU SET THE CLOCK ON THIS?

Vice Mayor Klapp: YOU HAVE THREE MINUTES.

David Smith: I HAVE ABOUT A HUNDRED SLIDES THAT I WANT TO GO THROUGH QUICKLY WITH YOU HERE.

Mayor Lane: THANK YOU MR. SMITH AND WE CERTAINLY DIDN'T WANT TO MISS YOU.

David Smith: SERIOUSLY, WHAT I'M GOING TO DO NOW IS GIVE YOU A RECAP OF WHAT YOU WILL PROBABLY SEE IN THE PROPOSED ,IN THE CITY MANAGER'S PROPOSED BUDGET FOR THE REVENUES, FROM ALL CATEGORIES. TO PUT IT INTO CONTEXT YOU HEARD FROM THE CITY MANAGER OF THE PROPOSED RATE INCREASES, THOSE THINGS THAT HE AND HIS ORGANIZATION HAVE CONTROL OVER AND THE STRATEGIES THAT THEY'RE IMPLEMENTING TO INCREASE RATES HERE AND THERE AS THEY SEE FIT. YOU ALSO HEARD HIM TALK ABOUT WEST WORLD AND WHAT'S ANTICIPATED THERE NEXT YEAR, A BIG PART OF THE RATE INCREASE, AND THEN YOU HEARD FROM SUSAN ON HER 26TH DAY TELLING YOU HER INSIGHTS INTO WHAT WILL BE THE LOCAL SALES TAX COLLECTIONS AND THE RATIONAL FOR THOSE BY CATEGORY. SO I'M GOING TO TRY TO PUT ALL THE PIECES TOGETHER AND TELL YOU THEN, BECAUSE MOST OF THE BUDGET FOR REVENUES, WE DO NOT HAVE, YOU DO NOT EVEN HAVE CONTROL OVER. THOSE THINGS THAT YOU DO, WE'LL TALK ABOUT THEM, BUT MOST THINGS JUST HAPPEN TO US.

ON THE SCREEN IS THE PIE CHART OF THE REVENUES THAT WILL COME INTO THE GENERAL FUND AND SO IMPORTANTLY I'M NOT GOING TO BE TALKING ANY MORE ABOUT THE ENTERPRISE FUND, BRIAN I THINK COVERED THAT SUBJECT QUITE WELL, BUT THIS IS JUST THE GENERAL FUND. AND THE ANTICIPATION IS IF YOU PUT ALL THE PIECES TO THE PUZZLE TOGETHER, \$237.8 MILLION DIVIDED IN THE WAY THAT YOU SEE IT THERE. AND OF COURSE THE BIGGEST SINGLE SOURCE OF REVENUES IS \$1.1 MILLION DOLLARS COMING IN FROM THE LOCAL SALES TAX AND JUST TO REMIND YOU THAT'S TWO-THIRDS OF ALL THE SALES TAX COLLECTED IN THE CITY. THE OTHER 1/3 GOES PRIMARILY FOR ACQUISITION OF PRESERVE LANDS AND A SMALL PORTION FOR THE TRANSPORTATION FUND. SO 1.1 PERCENT LOCAL SALES TAX AND JUST A SHADE OVER \$100 MILLION DOLLARS AND THAT SHOULD BE THE COMPILATION OF EVERYTHING THAT SUSAN HAD ON HER SLIDES BY CATEGORY BEFORE.

[Time: 03:01:16]



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HERE'S THE SAME ENUMERATION OF GENERAL FUND SOURCES EXCEPT BY CATEGORY, THAT WERE BY WORDS AND NUMBERS THAT YOU SAW ON THE PIE CHART IN THE PREVIOUS SLIDE. THE VALUE OF USING THIS SLIDE AND TALKING TO IT AND I'LL BE TALKING TO EACH INDIVIDUAL CATEGORY VERY BRIEFLY, BUT I WILL NOT BE TALKING TO SOME THINGS DOWN AT THE BOTTOM WHICH I CIRCLED IN RED, SOME NONREPEATING ITEMS. WE, AS YOU KNOW, WE ANNOUNCED A COUPLE WEEKS AGO WE GOT \$550,000 ACTUALLY FROM SALES TAX REBATE FROM THE STATE OF ARIZONA FOR MONIES PAID ON THE CITY'S WATER PURCHASES. WE ALSO AS YOU KNOW ANNOUNCED A COUPLE MONTHS AGO THAT WE HAD \$1.3 MILLION ONE TIME RECOVERY FROM THE SETTLEMENT WITH THE ARIZONA STATE RETIREMENT SYSTEM, AND THEN ALSO WE HAD \$29.2 MILLION DOLLARS THAT WAS ESSENTIALLY A RECEIPT TO THE GENERAL FUND. IT WAS MONEY MOVED IN THERE FOR THE PURPOSE OF PAYING OFF THE NORDSTROM GARAGE AGREEMENT OTHERWISE KNOWN AS THE SCOTTSDALE FASHION SQUARE AGREEMENT, AND I THINK YOU KNOW THE HISTORY BEHIND THAT. SO I'LL NOT BE TALKING TO THESE ONE TIME EVENTS AND WE'LL BE FOCUSING INSTEAD ON THAT SUBTOTAL LINE TRYING TO LOOK AT WHAT'S HAPPENING TO REVENUES ON A MORE NORMALIZED CONTINUING BASIS.

THE FIRST THING I'M GOING TO TALK ABOUT IS THE BIG PIECE OF THE PIE. I'M NOT GOING TO REPEAT THE THINGS SUSAN SAID. I THINK SHE DID A GREAT JOB OF TALKING ABOUT IT BY CATEGORY AND YOU SEE THEM ALL RECAPPED HERE, THE SAME FORECAST NUMBERS THAT SHE HAD. NOW YOU MAY NOT RECOGNIZE THE PERCENT'S THAT I'M SHOWING IN THE COLUMN THAT I'LL CIRCLE IN RED HERE BECAUSE FOR PURPOSES OF THIS PRESENTATION, THE PERCENT CHANGES ARE COMPARED TO THE PRIOR YEAR'S APPROVED BUDGET AND IN HER CASE I THINK SHE WAS COMPARING THEM TO CHANGES FROM THE EXPECTED FORECAST FOR THE YEAR. SO THE NUMBERS THAT YOU SEE THERE BY CATEGORY IN GRAND TOTAL, 3.1 PERCENT IMPROVEMENT OVER LAST YEAR'S BUDGET, AND THAT'S \$3 MILLION, AND YOU SEE THOSE NUMBERS AT THE VERY BOTTOM OF THE COLUMNS FOR CHANGE VERSES LAST YEAR'S BUDGET AND PERCENT CHANGE.

IT IS IMPORTANT TO LOOK AT THE CHANGE VERSES THE FORECAST FOR THIS YEAR IN SOME CASES BECAUSE IT MAY HELP EXPLAIN WHAT SOME OF THE CATEGORIES OF CHANGE ARE. IN OTHER WORDS, ON CONSTRUCTION FOR EXAMPLE WE'RE ONLY SHOWING A 1.2 PERCENT INCREASE AND SINCE YOU ALL TALKED ABOUT THAT, IT SHOULD BE FAMILIAR TO YOU THAT'S NOT THE NUMBER YOU WERE LOOKING AT ON SUSAN'S SLIDES AND THAT'S BECAUSE WE'RE COMPARING THE NEW BUDGETED 10.8 TO LAST YEAR'S BUDGET OF 10.6 AND SO IT'S A FAIRLY SMALL \$100,000 OR \$200,000 INCREASE. BUT CONSTRUCTION DIDN'T COME IN AND DIDN'T HIT BUDGET THIS YEAR. IT FELL \$500,000 DOLLARS SHORT, OR WE THINK IT WILL FALL \$500,000 DOLLARS SHORT OF BUDGET, SO IT'S A BIGGER STRETCH TO GET UP FROM 10.1 TO 10.8. THAT WOULD BE A \$700,000 DOLLAR GROWTH. THAT WOULD BE SEVEN PERCENT, THE SAME NUMBER THAT SUSAN SHARED WITH YOU EARLIER.

AS WE MARCH THROUGH THE YEAR WE WILL COMMONLY BE COMPARING THE ACTUAL RESULTS TO THE PRIOR YEAR AND SO TO DO THAT IN THIS CASE AGAIN THE \$100.3 MILLION DOLLARS IN TOTAL THAT WE'RE BUDGETING IF YOU COMPARED IT TO WHAT WE THINK THIS YEAR WE'LL END UP WITH, \$96 MILLION DOLLARS, IT WILL BE UP ALMOST \$4,000,000 MILLION DOLLARS AND 4.5 OR CLOSE TO 5 PERCENT.

[Time: 03:05:33]

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THE GENERAL FUND 1.1 PERCENT TAX, AND I HAVE NOT SHOWN THE PEAK YEAR HERE YOU WILL ALL NOTE, THE 1.1 PERCENT TAX TEN YEAR HISTORY YOU CAN SEE HOW IT'S COMPARISON THERE. THE

LIGHT GREEN BAR ON THE SCREEN IS LAST YEAR'S BUDGET AND YOU CAN SEE THE BLUE FORECAST TO THE RIGHT OF THAT. WE'RE NOT EXPECTING TO QUITE HIT THE BUDGET, BUT PRETTY CLOSE, AND THEN NEXT YEAR, GETTING SLIGHTLY OVER \$100 MILLION DOLLARS AND AS I SAID THAT WILL BE A GREATER STRETCH FROM WHAT WE THIS WILL BE THE ACTUAL THAN IT IS FROM THE PRIOR YEAR'S BUDGET.

THE NEXT MAJOR CATEGORY OF FUNDING FROM THE CITY COMES FROM THE STATE SHARED REVENUES AND YOU'LL REMEMBER THE STATE SHARED REVENUES ARE THREE COMPONENTS THE STATE SHARES WITH THE CITY A PORTION OF THE SALES TAX THAT THEY COLLECT AT THE STATE LEVEL. THEY SHARE WITH US ALSO A PORTION OF THE INCOME TAX THAT THEY COLLECT AND A SMALL PORTION OR SMALL SHARE, WELL THE SAME SHARE, BUT A SMALLER DOLLAR AMOUNT OF THE AUTO LIEU TAX. THE STATE WILL EVENTUALLY GIVE US THESE PRECISE NUMBERS AND THEIR FORECAST, BUT FOR THE MOMENT, THIS IS OUR BEST GUESS, PARTICULARLY ON THE STATE SALES TAX, FOLLOWING PRETTY MUCH THE TREND THAT WE WILL WE'LL EXPERIENCE HERE LOCALLY AS FAR AS PERCENTAGE GROWTH OVER THE BUDGET. THE STATE INCOME TAX, WE'RE PRETTY SURE ABOUT THAT NUMBER BECAUSE THAT'S THE ONE THAT'S ACTUALLY A TWO YEAR LAG, THAT'S WHAT THEY GIVE US THIS YEAR, IT'S WHAT THEY COLLECTED LAST YEAR AND THAT'S BASED ON EARNINGS OF THE INDIVIDUALS BEFORE. SO NOT MUCH WIGGLE ROOM IN THIS NUMBER. NOT MUCH LIKELIHOOD THAT IT'S GOING TO BE WRONG AND FURTHERMORE NOTHING MUCH WE CAN DO ABOUT IT.

THAT'S WHAT THE HISTORY LOOKS LIKE FIVE YEARS GOING BACK AND YOU CAN SEE IF YOU LOOK AT THE GREEN BAR VERSES THE ONE TO THE RIGHT OF IT IT'S A FAIRLY PREDICTABLE NUMBER ONCE WE HAVE FROM THE STATE THE HEIGHT OF THE GREEN BAR. WE HAVE A PRETTY GOOD IDEA WHERE WE'RE ACTUALLY GOING TO END UP.

NEXT LARGEST PIECE OF THE PUZZLE IS THE PROPERTY TAX AND THIS YOU DO HAVE SOME CONTROL OVER. YOU'LL REMEMBER THIS SLIDE FROM WHEN WE DISCUSSED THIS TOPIC BEFORE. WE HAD TALKED TO YOU ABOUT WHETHER TO INCLUDE SOME AMOUNT AS I'VE CIRCLED THE SPOT ON THE SCREEN HERE. SOME AMOUNT TO RECAPTURE THE WAIVER OF PRIOR COUNCILS, THE WAIVER OF THE TWO PERCENT ALLOWANCE IN TWO OF THE PRIOR YEARS, AND YOUR DIRECTION TO THE CITY MANAGER WAS THAT YOU WERE NOT INTERESTED IN DOING THAT, SO HE HAS INSTRUCTED US NOT TO PUT THAT IN. WE ALSO DISCUSSED WITH YOU THE POSSIBILITY OF TAKING THE TWO PERCENT ALLOWANCE THIS YEAR, AND WHILE THERE WAS A DIVERSITY OF VIEWS AMONG YOU, THE CITY MANAGER HAS INSTRUCTED US NOT TO PUT IN THAT AMOUNT EITHER. IT WOULD BE ABOUT \$500,000 DOLLARS IF IT WERE INCLUDED, AND AS YOU MARCH FURTHER THROUGH THE BUDGET, AS THE CITY MANAGER MARCHES FURTHER THROUGH THE BUDGET, HE MAY COME BACK TO YOU WITH INITIATIVES THAT YOU MAY CHOOSE TO FUND BY REVERSING YOUR DECISION AND ELECTING TO TAKE THAT \$200,000. BUT FOR THE MOMENT, YOU WILL SEE IN THE PROPOSED BUDGET, ZERO IN BOTH CATEGORIES.

[Time: 03:09:06]

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THE ONLY OTHER NUMBER THAT'S CHANGED AND NEEDS TO BE POINTED OUT I THINK HERE FROM WHAT WE HAVE SAID BEFORE IS THE NUMBER FOR NEW CONSTRUCTION. I DON'T RECALL WHAT WE HAD BEFORE BUT WHAT WE'RE SHOWING NOW IS THAT NEW CONSTRUCTION IN THE CITY, AS I'VE CIRCLED THE NUMBER THERE, MIGHT GENERATE ANOTHER \$200,000 DOLLARS OF TAX COLLECTION FOR THE CITY AND THIS IS AGAIN NOT ANYTHING THAT WE HAVE CONTROL OVER. IT JUST AS NEW CONSTRUCTION HAPPENS, IT GOES UNDER THE TAX ROLLS AND IT GENERATES TAX AT THE SAME RATE AS ALL THE OTHER PROPERTIES IN TOWN. NORMALLY, THIS NUMBER IS AROUND \$500,000 DOLLARS BECAUSE NORMALLY THE GROWTH IN NEW CONSTRUCTION OVER THE BASE OF EXISTING PROPERTIES IS ABOUT TWO PERCENT. WE JUST RECEIVED THE LATEST REPORT OF NEW CONSTRUCTION IN THE CITY AND IT WAS ONLY ABOUT ONE PERCENT YEAR OVER YEAR AND THAT'S WHY YOU SEE ONLY \$200,000 AS THE EXPECTED NEW TAX GENERATED BY NEW CONSTRUCTION. AGAIN NOT TO ANY DISCRETION THAT YOU HAVE OVER THAT NUMBER, THE ONLY ONES YOU HAVE DISCRETION OVER REALLY ARE WHETHER YOU DO OR DO NOT TAKE THE ALLOWANCE OVER THE TWO PERCENT TAX. I AM SORRY, YOU DO HAVE ANOTHER DISCRETIONARY ITEM AT THE VERY BOTTOM OF THE PAGE. YOU CUSTOMARILY DIRECT STAFF OR AGREE WITH STAFF FOR THE INCLUSION OF TORT RECOVERIES IN THE PROPERTY TAX, THIS IS ALLOWED BY LAW. IT'S NOT SOMETHING THAT FIRMLY EMBEDS ITSELF IN THE PROPERTY TAX; IT'S ONE TIME ONLY, SO IF THE CITY INCURS TORT LIABILITY LOSSES, YOU INSTRUCT US TO INCLUDE THOSE OR NOT INCLUDE THEM ON PROPERTY TAX BILLS FOR THAT YEAR AND THAT'S WHAT'S SHOWN HERE IN THE AMOUNT OF \$100,000 DOLLARS.

THE PROPERTY TAX LOOKED AT HISTORICALLY IT LOOKS LIKE A GROWING NUMBER. IN FACT, FOR THESE TWO YEARS THAT I'VE PUT THE RED LINE ABOVE HERE, AS I SAID, YOU DID NOT TAKE THE TWO PERCENT ALLOWANCE AND SO CONSEQUENTLY THAT'S KIND OF A FLAT PERFORMANCE YEAR OVER YEAR. AND FOR THESE OUT YEARS, WHAT YOU'RE SEEING IS A PREDICTION IN THE BUDGET, NOTHING BINDING ON YOU BUT A PREDICTION NEVERTHELESS FOR THE OUT YEARS THAT YOU WILL IN FACT TAKE THE TWO PERCENT ALLOWANCE. AND FURTHERMORE, THE NEW CONSTRUCTION WILL RETURN TO THE LEVEL THAT IT HAS HISTORICALLY BEEN INCREASING ALL BY ITSELF, THE TAX RECOVERIES BY TWO PERCENT.

THE NEXT PIECE OF THE PUZZLE, NOT A VERY LARGE PIECE BUT IT'S FRANCHISE FEES IN LIEU AND AMOUNTS TO ABOUT \$12 MILLION DOLLARS. NOT MUCH TO SAY ON THIS, A SMALL INCREASE ON ARIZONA PUBLIC SERVICE (APS) FOR THEIR FRANCHISE FEE. THESE ARE GENERALLY PERCENT OF REVENUES FOR THE VARIOUS ENTERPRISES COVERED HERE. APS, SOUTHWEST GAS (SWG) THE GAS COMPANY, AND CABLE AND SO ON. SO UNLESS WE HAVE REASON TO BELIEVE THAT THERE'S GOING TO BE AN INCREASE IN REVENUES EITHER BECAUSE OF NATURAL GROWTH OR ANNOUNCED PRICE INCREASES WE DON'T PREDICT ANYTHING HERE AND SO IT'S A FAIRLY SMALL EXPECTATION OF INCREASED REVENUES.

Mayor Lane: MR. SMITH. I'M BACK ON THAT SLIDE ON THE FRANCHISE FEES. NOT TOO VERY LONG AGO WE HAD AN INCREASE IN THE AMOUNT TO A FRANCHISE FEE INCREASE OF I BELIEVE A HALF A PERCENT FOR CAPITAL PROJECTS IT WAS GOING TO BE SET ASIDE. NOT NECESSARILY PUT TO THE GENERAL FUND. IS IT OR IS IT NOT INCLUDED IN THE NUMBERS WE HAVE HERE?

David Smith: IT IS NOT INCLUDED BECAUSE YOU'RE RIGHT. WE HAVE TO SET THAT ASIDE AS A POTENTIALLY REIMBURSING OURSELVES FOR CAPITAL EXPENDITURES DONE ON THEIR BEHALF. THE PROVISION IF YOU RECALL WAS THAT AT THE END OF THE YEAR IF WE HAVEN'T SPENT IT ALL THEN IT

WILL REVERT TO US. BUT FOR THE MOMENT, WE DON'T COUNT THAT AS PART OF OUR REVENUE UNTIL WE KNOW WHETHER WE'RE GOING TO SPEND IT ON CAPITAL.

[Time: 03:13:43]

Mayor Lane: OKAY AND THEN THE OTHER THING IS WE HAD A COUPLE OF PROSPECTIVE FRANCHISE FEES THAT WE WERE, WELL I SHOULD SAY MAYBE JUST THE ONE WITH NOW ABCOR. IS THAT UNDER ANY FURTHER CONSIDERATION FOR INCLUSION? OR IS IT JUST OUT OF THE PICTURE RIGHT NOW?

David Smith: I'LL SAY MY LIMITED KNOWLEDGE I THINK IT'S BEYOND THE PLANNING HORIZON BUT I'M GOING TO HAVE EITHER THE CITY ATTORNEY OR THE CITY MANAGER ADDRESS THE QUESTION OF WHERE THE DISCUSSION REALLY STANDS RIGHT NOW.

Dan Worth: MAYOR, WE'RE ENGAGED IN DISCUSSIONS WITH ABCOR ABOUT BRINGING THAT FORWARD FOR A POSSIBLE ELECTION. IT WILL BE LIKE THE RECENT SOUTHWEST ELECTION SUBJECT TO VOTER APPROVAL. IT WOULD NOT BE BROUGHT BEFORE THE VOTERS SOONER THAN NOVEMBER OF THIS YEAR, SO THE RESULT IS NOT A FORGONE CONCLUSION AND IT'S NOT INCLUDED IN THE REVENUE FORECAST.

Mayor Lane: ANY PERCENTAGE. OKAY. THANK YOU. THANK YOU MR. SMITH.

David Smith: SO AGAIN, THE CHARTED HISTORY OF THE FRANCHISE FEE AND THE IN LIEU TAX AND YOU CAN SEE THE SMALL GROWTH YEAR OVER YEAR, FAIRLY STEADY SOURCE OF REVENUE, NOT A TERRIBLY LARGE PIECE HOWEVER.

THE NEXT LARGE PIECE OF REVENUE ARE THE CHARGES FOR SERVICES AND OTHER AND THIS CATEGORY INCLUDES MOST OF THE ITEMS THAT THE CITY MANAGER TALKED ABOUT EARLIER THIS EVENING. THE RATE INCREASES ON PARKS AND SENIOR CENTERS AND BALL FIELDS AND ALL THAT SORT OF THING. IN THE AGGREGATE, ALL OF THESE CHARGES FOR SERVICES AMOUNT TO A FAIRLY SUBSTANTIAL AMOUNT OF MONEY, \$39 MILLION DOLLARS AND HERE THEY ARE BY CATEGORY. LICENSE FEES, PERMITS AND SO ON AND SO FORTH. AROUND \$6.0 MILLION. SMALL AMOUNT OF GROWTH YEAR OVER YEAR. LARGEST GROWTH YOU'LL SEE IS IN WEST WORLD. CITY MANAGER TALKED ABOUT THIS SOME BUT THERE'S AS YOU CAN SEE A \$400,000 INCREASE YEAR OVER YEAR PREDICTED AT WEST WORLD WHICH SHOULD BE A COMBINATION OF BOTH PRICE INCREASES TO EXISTING CUSTOMERS AS WELL AS NEW BUSINESS. NOT QUITE AS LARGE A FIGURE AS HAD BEEN PREDICTED WHEN THE PROJECT WAS APPROVED. I THINK THE NUMBER FOR 13/14 WAS MORE LIKE \$700,000 DOLLARS COMPRISED OF \$500,000 NEW BUSINESS AND \$200,000 OF PRICE INCREASES BUT THE CONSTRUCTION SCHEDULE PROBABLY HAS NOT HELD TO WHAT WAS ORIGINALLY FORECAST EITHER VERSES THE ORIGINAL PREDICTION. NEVERTHELESS, \$ 400,000 IS THE PREDICTION THERE AND WE'LL KEEP OUR EYE ON THAT AS WE MOVE THROUGH THE YEAR.

THE MORE SIGNIFICANT INCREASE, AND I'LL CIRCLE IT HERE, IS WHEN YOU GO INTO NEXT YEAR WHEN THEY WILL GO FROM THIS YEAR'S BASE OF 3.2 MILLION TO A FORECAST OF 5.2 MILLION. THAT'S WHEN THE FULL LEVEL OF BUSINESS ACTIVITY THAT WAS PREDICTED A FULL \$2 MILLION OF NEW BUSINESS AS WELL AS PRICE INCREASES AND SO ON WILL FINALLY MATERIALIZE OR ARE PREDICTED TO MATERIALIZE. THE FINES AND FORFEITURES, \$7 MILLION NO CHANGE THERE AND SO ON DOWN THE

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PAGE. THE ONE I WOULD TALK ABOUT IS DOWN HERE \$800,000 DOLLAR REDUCTION IN OUR EXPECTED GENERAL FUND REVENUES DUE TO THE INDIRECT AND DIRECT COST ALLOCATION. THIS YOU MAY REMEMBER IS A CONTINUATION, IN FACT IT'S THE LAST YEAR OF OUR RECALIBRATION I'LL CALL IT, RECALIBRATION OF THE INDIRECT CHARGES THAT WE WERE GIVING TO THE ENTERPRISE FUNDS: WATER, SEWER, AVIATION, SOLID WASTE, AND SO ON. YOU REMEMBER THEY WERE QUITE HIGH. WE RATCHETED THEM DOWN. THE SUSTAINABLE LEVEL FOR THESE WE THINK IS THAT THE NUMBER YOU SEE IN THE OUT YEARS, SOMEWHERE BETWEEN THE HIGH FIVE AND SIX MILLION DOLLAR NUMBER AND WE CHOSE TO GET IT DOWN TO THAT LEVEL OVER A SERIES OF YEARS AND THAT'S WHAT YOU SEE, THE LAST INSTALLMENT OF THAT PLAYING OUT IN THIS PARTICULAR YEAR.

[Time: 03:18:10]

BUILDING PERMITS, I'LL TALK A MINUTE ABOUT THEM. BUILDING PERMITS ARE UP QUITE A BIT THIS YEAR OVER WHAT WAS BUDGETED. YOU SEE THAT IN THE TWO LEFT MOST COLUMNS. WE BUDGETED 8.7 AND WE THINK WE'LL SEE 10.2 WITH SOME OF THE APARTMENT COMPLEXES AND WHATEVER THAT HAVE BEEN PERMITTED. THE EXPECTATION IS NOT QUITE SO OPTIMISTIC FOR THE COMING YEAR. IN FACT, IT DROPS BACK DOWN IN PEOPLE'S MINDS, BACK DOWN TO 9.3 PERCENT OR \$9.3 MILLION. THAT'S STILL A GROWTH OVER LAST YEAR'S BUDGET BUT IT WILL IN FACT BE A DECLINE FROM THE LEVEL WE'RE EXPERIENCING THIS YEAR. VERY HARD TO PREDICT THIS NUMBER BUT THIS IS THE BEST GUESS THAT THE PEOPLE HAVE GIVEN US FOR THIS FORECAST.

ALL THESE MISCELLANEOUS CHARGES ARE THEN DISPLAYED ON THIS GRAPH, DOWN QUITE A BIT FROM THEIR PEAK BUT EXPECTED TO SLOWLY RECOVER IN THE YEARS AHEAD.

AND FINALLY, THE LAST LITTLE WEDGE OF PIE THERE ARE TRANSFERS IN TOTAL OF \$11 MILLION DOLLARS. IT'S A WHOLE MEDLEY OF THINGS BUT THE ONE THAT'S WORTH NOTING HERE THAT'S CAUSING MOST OF THE POSITIVE VARIANCE IS IN WEST WORLD SUPPORT. I HAVE TO TELL YOU FIRST OF ALL LOOKING AT THE TWO LEFT MOST COLUMNS, WE HAD INTENDED THIS YEAR TO MOVE INTO THE GENERAL FUND \$1.2 MILLION TO SUPPORT WEST WORLD'S OPERATIONS. TO REFRESH YOUR MEMORY, WHEN YOU APPROVED THE PROJECT YOU SAID LET'S MOVE \$2.0 MILLION OF BED TAX INTO THE GENERAL FUND TO HELP WEST WORLD DURING THESE CRITICAL START UP YEARS AND THE INTENT WHEN WE SET UP THE FUNDING FOR THIS, AND THE INTENT WAS WE WOULD MOVE IN \$1.2 MILLION THIS YEAR AND \$800,000 NEXT YEAR. WELL, WITH THE DELAY IN CONSTRUCTION AND SO ON AND SO FORTH, IT TURNS OUT THEY REALLY DIDN'T NEED \$1.2 MILLION OF SUPPORT THIS YEAR AND CONSEQUENTLY WE MOVED IN NOTHING THIS YEAR INTO THE GENERAL FUND FOR WEST WORLD SUPPORT AND WE'RE MOVING IN THE ENTIRE 2 MILLION NEXT YEAR AND THAT'S WHAT YOU SEE IN THE PICTURE THAT I CIRCLED THERE. THE BED TAX IN TOTAL, WELL THE BED TAX ALWAYS MOVES INTO THE GENERAL FUND ABOUT \$1.5 MILLION. WE'VE TALKED ABOUT THIS MANY TIMES. IT'S THE BOTTOM MOST BLOCK OF MONEY. THE BED TAX SPECIAL REVENUE FUND MOVES INTO THE GENERAL FUND, BUT IT IS AUGMENTED THIS YEAR BY THE \$2 MILLION, THE FULL 2 MILLION, OF WEST WORLD SUPPORT. IT WON'T QUITE COVER THE DEBT SERVICE. SOMEBODY ASKED THAT QUESTION BEFORE, BUT IT WILL CERTAINLY HELP IN OFFSETTING SOME OF THE OPERATING LOSSES WHILE THEY'RE GETTING RAMPED UP.

THE OTHER VARIABLE ON THIS SLIDE WORTH TALKING ABOUT IS THE \$800,000 DOLLARS OF ADDITIONAL MONEY COMING FROM THE ENTERPRISE FRANCHISE FEES. THIS IS THE WATER COMPANY

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PAYING TO THE GENERAL FUND AND ENTERPRISE FRANCHISE FEE, IN LIEU FRANCHISE FEE REALLY, IT'S NOT A FORMAL FRANCHISE AGREEMENT. SO THAT REPRESENTS SIMPLY THEIR INCREASED VOLUME OF BUSINESS TIMES THE FRANCHISE FEE.

SO I KNOW WE WENT THROUGH IT KIND OF QUICKLY BUT THERE YOU HAVE IT. IN GRAND TOTAL, NEXT YEAR REVENUES \$237.8 MILLION DOLLARS COMING INTO THE GENERAL FUND AND THAT WILL BE 3.6 PERCENT HIGHER THAN THE BUDGET WAS THIS YEAR AND THIS IS NOT TO ARGUE FOR OR AGAINST ANY OF THE NUMBERS. I THINK YOU'VE HEARD ALL THE RATIONAL FROM THE CITY MANAGER AND FROM THE FORECASTING GROUP AND FROM THE VARIOUS DIVISION HEADS INVOLVED IN THIS. BUT I'LL BE HAPPY TO TAKE ANY QUESTIONS AND SO WILL THE CITY MANAGER ON ANY LINE HERE.

[Time: 03:22:30]

Mayor Lane: WELL THANK YOU MR. SMITH. WE DO NOT HAVE ANY QUESTIONS AT THIS TIME, SO THAT'S AN INDICATION OF THE COMPLETE AND THOROUGHNESS OF YOUR PRESENTATION.

David Smith: IT'S ALTOGETHER POSSIBLE THAT IT'S AN INDICATION OF THE TIME OF THE EVENING, BUT THANK YOU VERY MUCH.

#### **ITEM 16 – BOARDS, COMMISSION, AND TASK FORCE NOMINATIONS**

[Time: 03:22:49]

Mayor Lane: THAT WAS MY NEXT ONE. THANK YOU MR. SMITH. SO THAT DOES COMPLETE, THAT DOES COMPLETE NOW, I'LL LOOK UP AND MAKE SURE THERE'S NOBODY ELSE WALKING TO THE PODIUM, ITEM 15. AND WE'LL MOVE ON TO OUR FINAL ITEM, MAYOR AND COUNCIL ITEM 16 WHICH IS THE BOARDS OF COMMISSION TASK FORCE NOMINATIONS AND FOR THAT TASK I'LL TURN OVER THE MEETING TO OUR VICE MAYOR KLAPP.

Vice Mayor Klapp: THANK YOU MAYOR. THIS EVENING WE'RE NOMINATING SCOTTSDALE RESIDENTS INTERESTED IN SERVING ON FIVE CITIZEN ADVISORY BOARDS AND COMMISSIONS. THE FIVE WITH VACANCIES ARE THE BOARD OF ADJUSTMENT, ENVIRONMENTAL QUALITY ADVISORY BOARD, MCDOWELL SONORAN PRESERVE COMMISSION, NEIGHBORHOOD ADVISORY COMMISSION, AND THE, TOURISM DEVELOPMENT COMMISSION. THOSE NOMINATED WILL BE INTERVIEWED AT OUR MEETING ON APRIL NINTH AND APPOINTMENTS SHOULD FOLLOW RIGHT AFTER.

SO WE WILL START WITH THE BOARD OF ADJUSTMENT WHICH IS A QUASI-JUDICIAL BODY THAT HEARS VARIANCE REQUESTS, APPEALS OF THE ZONING ADMINISTRATOR'S INTERPRETATIONS AND DECIDES ON ADMINISTRATIVE DECISIONS OR ZONING REQUIREMENTS. THERE ARE TWO VACANCIES AND SIX APPLICANTS. THE APPLICANTS ARE BILL ADLER, PAUL GARRY, MARTY GOOD MAN, SAJID MAHMUD, SERGIO MARTINEZ AND KEVIN SMALL. SO I'LL REMIND EACH COUNCILMEMBER THAT YOU CAN NOMINATE TWO APPLICANTS AND I'LL NOW ENTERTAIN NOMINATIONS FOR THE BOARD OF ADJUSTMENT BEGINNING WITH COUNCILMAN PHILLIPS.

Councilmember Phillips: OKAY AND THIS PROCEDURE IS FAIRLY NEW TO ME. SO DO I HAVE TO NOMINATE ANYBODY?

Vice Mayor Klapp: YOU DON'T HAVE TO DO ANYTHING. YOU CAN PASS.

Councilman Phillips: I'LL PASS ON THIS ONE. THANK YOU.

Vice Mayor Klapp: THANK YOU. COUNCILMEMBER KORTE.

Councilmember Korte: I WILL NOMINATE MR. MARTY GOOD MAN AND SERGIO MARTINEZ.

Vice Mayor Klapp: COUNCILMAN LITTLEFIELD.

Councilman Littlefield: NO ADDITIONAL.

Vice Mayor Klapp: MAYOR LANE.

Mayor Lane: I'LL NOMINATE IN ADDITION, SAJID MAMUD.

Vice Mayor Klapp: I WILL ADD PAUL GARY. COUNCILWOMAN MILHAVEN, ARE YOU THERE?

Councilwoman Milhaven: I'M HERE. I HAVE NO ADDITIONAL. THANK YOU.

Vice Mayor Klapp: THANK YOU AND COUNCILMAN ROBBINS.

Councilman Robbins: I WILL ADD WILLIAM ADLER.

[TIME: 03:25:19]

Vice Mayor Klapp: OKAY THAT COMPLETES THE NOMINATIONS FOR THIS CATEGORY. I'M GOING TO MOVE ON. OKAY, WE'LL GO TO THE ENVIRONMENTAL QUALITY ADVISORY BOARD AND WE HAVE ONE OPENING FOR NOMINATIONS. THE ENVIRONMENTAL QUALITY ADVISORY BOARD ADVISES THE CITY COUNCIL ON ISSUES RELATED TO ENVIRONMENTAL QUALITY AS WELL AS THE PRIORITIZATION OF FUTURE ENVIRONMENTAL ACTIVITIES AND PROGRAMS. THERE'S ONE VACANCY AND THERE'S ONE APPLICANT, SO WOULD YOU LIKE TO GIVE US YOUR DECISION COUNCILMEMBER KORTE?

Councilmember Korte: I WILL NOMINATE MR. HERMANN.

Vice Mayor Klapp: SINCE THERE'S NO ONE ELSE TO NOMINATE THEN WE'RE DONE WITH THAT ONE. THANK YOU. EXCELLENT JOB.

[TIME: 03:26:20]

Vice Mayor Klapp: MCDOWELL SONORAN PRESERVE - THIS COMMISSION PROVIDES OVERSIGHT FOR ACQUISITION PRESERVATION MANAGEMENT AND STEWARDSHIP OF THE MCDOWELL MOUNTAINS AND RELATED SONORAN DESERT. JIM HEITEL'S TERM EXPIRES APRIL 6TH, 2013. HE'S ELIGIBLE FOR RE APPOINTMENT AND HAS SUBMITTED AN APPLICATION. SO THERE'S ONE VACANCY AND THERE ARE EIGHT APPLICANTS. THE APPLICANTS ARE MICHAEL AUERBACH, JANICE FRIEBAUM, TOM GAGEN,

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JAMES HEITEL, SAJID MAHMUD, SERGIO MARTINEZ, JACE MCKEIGHAN, AND KEVIN SMALL. I'LL NOW ENTERTAIN NOMINATIONS BEGINNING WITH COUNCILMAN LITTLEFIELD.

Councilman Littlefield: HEITEL.

Vice Mayor Klapp: MAYOR LANE.

Mayor Lane: NO ADDITIONAL.

Vice Mayor Klapp: NO ADDITIONAL. COUNCILWOMAN MILHAVEN.

Councilwoman Milhaven: NO ADDITIONAL.

Vice Mayor Klapp: COUNCILMAN ROBBINS.

Councilman Robbins: NO ADDITIONAL.

Vice Mayor Klapp: COUNCILMAN PHILLIPS.

Councilman Phillips: NO ADDITIONAL.

Vice Mayor Klapp: COUNCILMEMBER KORTE.

Councilmember Korte: JANICE FRIEBAUM.

Vice Mayor Klapp: OKAY WE SO WE HAVE TWO PEOPLE. THANK YOU.

[Time: 03:27:23]

Vice Mayor Klapp: NEIGHBORHOOD ADVISORY COMMISSION. THIS COMMISSION ADVICES AND MAKES RECOMMENDATIONS TO THE CITY COUNCIL ON POLICY PLANS STRATEGIES AND PROGRAMS FOR THE PRESERVATION, IMPROVEMENT AND REVITALIZATION OF SCOTTSDALE 'S HOUSING AND NEIGHBORHOODS. THERE'S ONE VACANCY AND FIVE APPLICANTS FOR THE NEIGHBORHOOD ADVISORY COMMISSION. THEY ARE MICHAEL AUERBACH, JORDAN LEDBETTER, SERGIO MARTINEZ, TODD MAZON, AND JOE MELI. I'LL NOW ENTERTAIN NOMINATIONS BEGINNING WITH MAYOR LANE.

Mayor Lane: I'LL NOMINATE MICHAEL AUERBACH.

Vice Mayor Klapp: I WILL NOMINATE TODD MAZON. COUNCILWOMAN MILHAVEN.

Councilwoman Milhaven: I WILL NOMINATE JOE MELI.

Vice Mayor Klapp: COUNCILMAN ROBBINS.

Councilman Robbins: NO ADDITIONAL.



Vice Mayor Klapp: COUNCILMAN PHILLIPS.

Councilmember Phillips: NO ADDITIONAL.

Vice Mayor Klapp: COUNCILMEMBER KORTE.

Councilmember Korte: NO ADDITIONAL.

Vice Mayor Klapp: COUNCILMAN LITTLEFIELD.

Councilman Littlefield: NO ADDITIONAL.

Vice Mayor Klapp: OKAY THAT'S IT.

[Time: 03:28:23]

Vice Mayor Klapp: AND THE FINAL COMMISSION IS THE TOURISM DEVELOPMENT COMMISSION (TDC). WE HAVE ONE OPENING AND THE VACANCY THAT WE HAVE HERE IS FOR A HOTELIER. THE TOURISM DEVELOPMENT COMMISSION ADVISES THE CITY COUNCIL IN MATTERS CONCERNING THE EXPENDITURE OF REVENUES FROM THE TRANSACTION PRIVILEGE TAX ON TRANSIENT LODGING, BED TAX DESIGNATED FOR TOURISM DEVELOPMENT. AS SPECIFIED IN THE SCOTTSDALE CITY CODE, THE SEVEN MEMBERS OF THE TDC SHALL CONSIST OF REPRESENTATIVES OF THE TOURISM INDUSTRY IN SCOTTSDALE INCLUDING A MINIMUM OF FOUR HOTELIERS, ONE MEMBER OF THE SCVB (SCOTTSDALE CONVENTION AND VISITORS BUREAU), AND THE BALANCE FROM OTHER ELEMENTS OF THE TOURISM INDUSTRY. AS I MENTIONED, THIS VACANCY IS FOR A HOTELIER AND THERE IS ONE VACANCY AND SIX APPLICANTS. THE APPLICANTS ARE RICHARD ALT, CARL GRUPP, CAMILLE HILL, JORDAN LEDBETTER, RANDAL ORTIZ AND LYNN SCHEPP.

I WILL NOW ENTERTAIN NOMINATIONS AND EACH COUNCILPERSON CAN NOMINATE ONE PERSON. WE'LL BEGIN WITH ME ON THIS INSTANCE AND I NOMINATE CARL GRUPP.

Vice Mayor Klapp: COUNCILWOMAN MILHAVEN.

Councilwoman Milhaven: RANDAL ORTIZ.

Vice Mayor Klapp: I'M SORRY, COULD YOU HEAR THAT?

Mayor Lane: RANDAL ORTIZ.

Vice Mayor Klapp: OKAY. THANK YOU. ORTIZ.

Vice Mayor Klapp: OK COUNCILMAN PHILLIPS.

Councilman Robbins: ROBBINS.

Vice Mayor Klapp: ROBBINS, I AM SORRY.

Councilman Robbins: NO ADDITIONAL.

Vice Mayor Klapp: I AM GETTING AHEAD OF MYSELF. NOW COUNCILMAN PHILLIPS.

Councilmember Phillips: RICHARD ALT.

Vice Mayor Klapp: COUNCILMEMBER KORTE.

Councilmember Korte: CAMILLE HILL.

Vice Mayor Klapp: COUNCILMAN LITTLEFIELD.

Councilman Littlefield: NO ADDITIONAL.

Vice Mayor Klapp: MAYOR LANE.

Mayor Lane: NO ADDITIONAL.

Vice Mayor Klapp: OKAY THANK YOU VERY MUCH. THIS CONCLUDES OUR NOMINATION PROCESS THIS EVENING. CITY STAFF WILL CONTACT THOSE WHO WERE NOMINATED AND PROVIDE THEM WITH ADDITIONAL INFORMATION ABOUT THE INTERVIEW PROCESS. I'D LIKE TO TAKE THIS OPPORTUNITY TO SINCERELY THANK ALL WHO APPLIED TO SERVE AND EVEN IF YOU WERE NOT NOMINATED YOUR APPLICATION WILL REMAIN ON FILE FOR ONE YEAR FOR CONSIDERATION AT A FUTURE DATE IF THERE ARE ADDITIONAL VACANCIES.

Vice Mayor Klapp: THANK YOU MAYOR, TURNING IT BACK OVER TO YOU.

[Time: 03:30:30}

Mayor Lane: THANK YOU VICE MAYOR. I'LL JUST MAKE, WE HAVE NO ADDITIONAL PUBLIC COMMENT CARDS NOR DO WE HAVE ANY CITIZEN PETITIONS, SO ANY OTHER MAYOR OR COUNCIL ITEMS IF NONE I WOULD ACCEPT.

Councilman Littlefield: MEETING ADJOURNED.

Mayor Lane: YOU ALREADY HAVE A JUMP ON THAT. DO I HAVE A SECOND ON THE MOTION TO ADJOURN?

Vice Mayor Klapp: SECOND.

Mayor Lane: SECOND IS MADE. ALL THOSE IN FAVOR OF ADJOURNING PLEASE INDICATE BY AYE. WE ARE ADJOURNED. THANK YOU ALL VERY MUCH.