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CALL TO ORDER

[Time: 00:00:09]

Mayor Lane: Good afternoon, everyone. Nice to have you here. I will call to order, the February 25th, 2014 Council meeting. It's approximately 5:05. We will start with a roll call, please.

ROLL CALL

[Time: 00:00:16]

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Virginia Korte.

Vice Mayor Korte: Here.

Carolyn Jagger: Councilmember Suzanne Klapp.

Councilwoman Klapp: Here.

Carolyn Jagger: Bob Littlefield. Absent. Linda Milhaven.

Councilwoman Milhaven: Here.

Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

Carolyn Jagger: Dennis Robbins.

Councilman Robbins: Here.

Carolyn Jagger: City Manager Fritz Behring.

Fritz Behring: Here.

Carolyn Jagger: City Attorney Bruce Washburn.

Bruce Washburn: Here.

Carolyn Jagger: City Treasurer Jeff Nichols.

Jeff Nichols: Here.

Carolyn Jagger: City Auditor Sharron Walker.

Sharron Walker: Here.

Carolyn Jagger: And the Clerk is present.

Mayor Lane: Thank you. Some items of business. We do have cards if you would like to speak on any item on the agenda for public comment. They are the white cards being distributed at this very moment at the clerk's desk to my right. In any case, if you would like to speak on those topics. We have yellow cards as well if you would like to give us any written comments on any item on the agenda, which we will be reading during the course of the evening. We do have Scottsdale Police Officers Greg Carlin and Tom Cleary here. The areas behind the Council dais are for Council and staff only. We do have facilities under the exit sign for your convenience.

PLEDGE OF ALLEGIANCE

[Time: 00:01:29]

Today we have the great pleasure of having the Webelos from Pack 344, with their leader Michael Franks. So gentlemen, if you would like to come up to the microphone. Bring your sister too. And any time you are ready, if you could stand if you are able.

I pledge allegiance to the flag of the United States of America and to the republic for which it stands, one nation, under God, indivisible, with liberty and justice for all.

Mayor Lane: Thank you very much. If you want to turn that microphone around, and face the audience and if you would just individually introduce yourself and say where you go to school and maybe what your favorite subject might be.

Pack 344: My name is Steven. I'm in fourth grade and I go to school at Desert Canyon. And my favorite subject is reading. I'm Brianna and I go to preschool and I like, and my favorite subject is making my flower cards.

Mayor Lane: Very good. Very good!

Pack 344: My name is Val. I go to Desert Canyon Elementary School. I'm in fourth grade and my favorite subject is science. Hello, my name is Eric. I go to Scottsdale Prep and my favorite subject is math. My name is Colin. I go to Desert Canyon Elementary School and my favorite subject is P.E. My name is Landon and I go to elementary school and, wait, and I'm in second grade and my favorite subject is P.E. My name is Owen. I go to Desert Canyon and my favorite subject is science and I'm in fourth grade. Hello, my name is Chase. I'm in fourth grade. My favorite subject is science and math.

INVOCATION

[Time: 00:04:02]

Mayor Lane: Thank you, gentlemen. We do not have any presider for the invocation this evening. So I would ask that we simply would take a moment of silence for whatever intentions you might feel the need.

MAYOR'S REPORT

[Time: 00:04:27]

Mayor Lane: Thank you. Some may have heard that we had some news this past week with regard to Google Fiber and an installation here in Scottsdale along with Tempe and the city of Phoenix as well. And, you know, this is somewhat of a consequence of a number of things. And some efforts that we have made through our GPEC and otherwise to contact some of the companies in California for investment or consideration for business relocation here in Scottsdale and in Arizona. We did have an occasion to meet with those folks in Palo Alto about six weeks ago. I think most of this may have been already in process but one of the things that's particularly interesting about this is that Google had named us eCity of Arizona in 2013 and it was on the basis of an evaluation that they did from the standpoint of the demographics of potential customers and frankly, the level of technology savvy residents we may have. So it's been an interesting road, but they came to us and asked that we specifically work with them as best we possibly can. There's not any subsidy. There's no incentive or otherwise provided for this kind of thing and it's not offered and it's not been asked for. But it is a huge investment on the part of Google fiber, and it's an Internet and TV service that provides Internet

connectivity, up to 100 times faster than the regular channels. We are pleased to be considered as the Google fiber service. I should probably explain too that it is an exploratory issue to see if it's a good fit for all of us to work through this process.

Google has actually selected 34 cities across the country for this and we do believe that Google and Scottsdale are a very good match in this regard because we are a city filled with innovative and creative businesses and I'm sure that had something to do with why we were named eCity. You know, the potential of making our information infrastructure stronger, faster and bigger is always a big plus as it relates to how we evolve in this technological world, and so it's always a good thing for our residents and our businesses. So we are excited to see that and it also bridges the digital divide between communities or it has the potential to do that, between communities that maybe are older and different locations, to bring these kinds of electronics and this kind of technology to just about every neighborhood, irrespective of any of their locations and the time that they were built. And it's a well-known fact that access to technology such as this is considered one of the essential components in being successful in education and business today. So we are looking to facilitate this exploration with as much as needed and otherwise to keep out of the way as best we possibly can. And as part of this effort, our city manager, Mr. Behring has put together the right folks and the staff to put the information together for Google or anyone as it is, and we look forward to working with the other cities and Google in doing that. It's quite an occasion. It's quite an investment in our community and I think it has a lot of positive ramifications. We are working hard to make sure it works out best for all of Scottsdale.

Councilman Littlefield arrived at 5:12 P.M.

PUBLIC COMMENT

[Time: 00:08:22]

Mayor Lane: We've got public comment. Public comment is reserves for citizens' comments regarding non-agendized items with no official Council action to be taken on these items simply because if they are not an agendized item, we are not in a position to discuss them or do anything other than to take that information. Speakers are limited to three minutes each. We have a maximum of five speakers and there will be an occasion at the end of our meeting to have additional public comment if it's necessary. We do have two -- I'm sorry, three cards tonight. And we will start with Darlene Peterson.

[Time: 00:09:12]

Darlene Petersen: Mayor and Council, I'm Darlene Peterson and I have been here so long that I don't even remember how long. 54 or 55 years. This city just got another award or something for being the best run city, I think. Really? If that was so, then why are all of these articles in the paper making disparaging remarks about the citizens in this town? The general plan and the bond were defeated by citizens. They rail about the activists. I'm an activist, but my one vote did not vote these down. So it was a lot of citizens that they are running down. Who knew of all of these that

were in the bond issue who knew what the staff or you people would pick. Do we trust our leaders? No. Another issue is the four people who resigned from the downtown plan, because of my words, inconsiderate members. These four highly qualify, these four highly respected. You won't find anybody more thorough in his investigative work on a problem than Howard Myers, Ned O'Hearn, Copper Phillips and Jim Heitel, very well respected people. I never heard a reprimand from you, Mayor Lane, or the City Council. You threw one member off a commission for making a statement. Well, these people on the general plan made it so rough that four of our best citizens quit. That's not right. We look at two people and hope that you would take an interest in these other committees and when four people quit, you ought to be looking at what's going on.

Mayor Lane: Thank you.

Darlene Petersen: Thank you. And I wanted to say, remind people that tomorrow is Winfield Scott's birthday. At 12:00, out on the mall by the Little Red Schoolhouse is going to be a birthday party!

Mayor Lane: I think you just did. Thank you, Ms. Peterson. Next is Marc Stevens.

[Time: 00:12:44]

Marc Stevens: Excuse my camera. My main one is broken. I think the members of the Council, and Mayor, you know what my issue probably is. I have been confronting or requesting evidence that your constitution, the state constitution laws and the laws that you pass apply to me just because I'm physically in Scottsdale and I have not been able to get any kind of evidence. Your city attorney, his office or his secretary said he was not going to speak to me, but I do want to give a shout out to your, to Mr. Fritz Behring who had the decency and the professionalism to speak with me and actually be honest enough that if he couldn't produce the evidence, he said, I don't know. He didn't just get loud with me. He didn't throw me out of the office and he wasn't like your police. He didn't threaten to put me in jail because I asked a question that he felt was uncomfortable. I put the question to you, do you believe the constitutional laws of the state of Arizona apply to me and also your local rules and regulations apply to me for no other reason than I'm physically in Scottsdale and I know you agree with that, because your police enforce it at the barrel of a gun every day. What evidence do you have that that's actually true?

Mayor Lane: Mr. Stevens, are you done then?

Marc Stevens: I'm asking a question. I would like a response.

Mayor Lane: As I explained at the beginning, this is a public comment period of time. It's not a point of an agenda item where there's any response. So thank you very much.

Marc Stevens: I will take the remainder of the time.

Mayor Lane: Okay.

Marc Stevens: The reason why I'm doing this is because when you go to your courts, there's collusion between your prosecutors and your judges. We are getting tired of your judges colluding with your prosecutors and your police officers to give the cops and your prosecutors a free pass on the issue of jurisdiction. Now when we go in there, we have these corporate psychopaths called judges screaming from their wooden throne to have us thrown in jail that the prosecution has to prove beyond a reasonable doubt anyway. And so what I'm going to be putting forth is, at least Fritz was open to this, to some kind of public investigation, some kind of public hearing where we can pull your judges and prosecutors out of their hallowed halls where they don't have the opportunity to start yelling and screaming and threatening me with contempt, just for asking for evidence that the prosecution should have anyway. I will continue to ask every one of you in your offices. If you have evidence, please present it.

Please be honest like Fritz and say, I don't know. Because if you don't have the evidence and I don't believe that you do, then the collusion between your judges and your prosecutors and police officers makes you look like nothing more than a criminal organization. You claim that you have some kind of legal authority. You have no actual evidence to prove it. All you have are the guns of these police officers. So I would expect in the next few weeks or the next few days that you would be professional enough to present me with the evidence or be honest and say, like Fritz did, I don't know.

Mayor Lane: Thank you, Mr. Stevens. Next will be Mike Aloisi. Mike, nice to see you.

[Time: 00:16:25]

Mike Aloisi: Nice to see you, Mayor and also several other faces that are familiar to me. Nice to be back again. No applause? Well, at least nobody booed yet. The night is young. For those of you who don't know me, my name is Mike Aloisi and I'm a two-time United States Senate candidate, once in Pennsylvania and once here. In Pennsylvania, Arlen Specter wouldn't debate me and Senator Santorum who ran for president wouldn't back me. So I had two strikes against me. I had to back out. I don't like batting with two strikes. The second time was out here against Senator Kyl. I shook his hand one evening and I felt like I was shaking hands with a fish. So I decided to run and I missed getting on the ballot by 1500 signatures. I believe I would have won.

My main discussion tonight is about public safety. Now for those of you who are well versed in public safety, I would like to see a hand raised of what's more important in a city, a state or a country than public safety. Raise your hand if you have something that's more important. Raise your hand. Nobody is raising their hand. So the number one priority in a city, a state or a country is what? Say it. Public safety. Right. Now, police officers, my dad was a police officer, but that's not the main reason I'm speaking tonight. I'm speaking on behalf of all public safety people. That's firemen, first responders. Now, surely, Mr. Mayor, we agree several times when Mary Manross was Mayor that these people have to be taken care of. I really don't like this confinement. Am I allowed to step out here?

Mayor Lane: No.

Mike Aloisi: Okay. I can't see the police officers over here. Now, here's my position. We ought to dig up enough money to pay these people what they deserve. I don't want to hear recession. You are going to have a bond issue. You can do a referendum and the people will pay for it. Because there's nothing more important than public safety. We have already agreed to that, correct? This is the first time I'm going to address this issue. And the next time, I will have facts, figures and everything else that goes with it. There's nothing more important.....

Mayor Lane: Sir, you need to wrap it up.

Mike Aloisi: You got my pronunciation the second time.

Mayor Lane: That's because you corrected me.

Mike Aloisi: I do the jokes.

Mayor Lane: All right, thanks.

Mike Aloisi: Thank you.

Mayor Lane: All right. That completes the public comment at this time.

MINUTES

[Time: 00:20:21]

Mayor Lane: The next order of business is the approval of minutes and I would ask we have a motion to approve the Special Meeting minutes of January 27th, 2014, and February 4th of 2014, the Regular Meeting minutes of January 27th, 2014, and February 4th, 2014, and the Executive Session minutes of January 27, 2014 and February 4th of 2014. Do I have a motion?

Councilman Robbins: So moved.

Vice Mayor Korte: Second.

Mayor Lane: Moved and seconded, I think by the Vice Mayor on the second. And so we are then ready to vote. All those in favor of approval of the minutes please indicate by aye and register your vote aye. The tally is unanimous. We have approved the minutes.

CONSENT AGENDA

[Time: 00:21:12]

Mayor Lane: Moving on to the next order of business. We have Consent items one through 25. I will ask that item 22 be moved to Regular Agenda. So with that deletion, unless there are any

comments on any other items, either from the dais or otherwise, I would ask for a motion to approve the Consent items 1 through 25, absent item 22.

Vice Mayor Korte: Mayor, I will move to approve Consent Agenda items 1 through 25, absent number 22.

Councilmember Phillips: Second.

Mayor Lane: The motion has been moved and seconded by Councilman Phillips. Although in favor indicate by aye. And those opposed with a nay. With the Consent items 1 through 25, absent 22.

REGULAR AGENDA

[Time: 00:22:11]

ITEM 22 – PEDALBUS CODE AMENDMENT

[Time: 00:22:13]

Mayor Lane: We start with item 22 on the regular agenda. I asked to have this removed. A presentation is not necessary. Presentation isn't necessary but I would like to at least discuss the fact that we are in the process of applying some rules to the application. Could we, excuse me. Could we keep it down there, please? That we need to apply some rules to a very unique kind of animal, a mechanical beast of sorts. It's a pedalbus. If you haven't seen it around town or otherwise, it's a rather unique kind of contraption. In any case, to get some kind of handle on its operation by the operators here in the City of Scottsdale, we have that as item 22. There is one provision within that, that I was hoping to be able to ask my Council colleagues to amend from 10:00 until 11:00 p.m., the operations through 11 p.m. rather than 10 p.m. I was asked by the operators of this. It does seem to be a somewhat arbitrary decision, and it does change a little bit of what their business plan calls out for. So that's the only amendment I would ask for and I will make the motion that item 22, which is to adopt the Ordinance number 4135, adding Article 11 Section 17-380 to 17-392 to Chapter 17 motor vehicles and traffic to the Scottsdale Revised Code for the regulation of pedalbuses. With that one amended statement and that's the hour of operations ending at 11 p.m. rather than 10 p.m. Motion has been made and seconded. There's no further comment on that. Then I think we are ready then to vote.

Carolyn Jagger: Your Honor?

Mayor Lane: Oh, I'm sorry. We do have some public comment. I'm sorry. Yes. So hold on that and we'll start with Peter Valenzuela.

[Time: 00:24:42]

Peter Valenzuela: Good evening Mayor and Council. Thank you very much. My name is Peter

Valenzuela from the Genesis Group Government Relations. I'm sitting here with my client, Brendan Holve, the president of Tour de Tavern, the operator and the owner of the big mechanical beast as referenced by Mayor Lane. We want to let you know that we do support the draft ordinance and we have been very, my client has been very forthright and proactive with reaching out to law enforcement and city staff and Mayor and Council to let them know that my client is very happy and pleased that there is an ordinance by which to be regulated now. We support the extension to 11 p.m. and we hope that the Council does vote that way as well. Thank you very much.

Mayor Lane: Thank you Mr. Valenzuela. Mr. Holve, you would like to speak? Okay. Very good. Then Councilman Littlefield.

[Time: 00:25:46]

Councilman Littlefield: Well, I would just like to point out that the Legal Department and the Police and the Transportation Department, wasn't just an arbitrary number. They picked that time because they said as things become more crowded after that downtown, that it becomes a safety issue. So it's not arbitrary. They didn't just pull that number out of whatever. So I won't be supporting the revised motion.

Mayor Lane: Thank you, Councilman. Vice Mayor Korte.

Vice Mayor Korte: Thank you, Mayor. Is Chief Walther here? Could you tell me the process that you went through to come to the 10:30? I believe it's a 10:30 time period?

Assistant Police Chief Jeff Walther: Yes, ma'am. I would be happy to. Mayor and members of Council, we spent a great deal of time with transportation working on this ordinance, in particular, and I will commend the owner of the Tour de Tavern who participated in the process with us extensively. Originally we came and settled on 10:00, and after some discussion with our folks and businesses, we settled on actually 10:30. At the time, we did so because that was time when the congestion in the downtown area really begins to pick up and then reaches a crescendo at 1:00 in the morning. That was what we set upon the density, the number of cars in the downtown and number the pedestrians on the walkway.

Vice Mayor Korte: And the operation of the pedalbus, I assume, then I assume that the pedalbus enters the entertainment district and all throughout that congested area?

Chief Walther: That's correct.

Vice Mayor Korte: Okay. Thank you.

Mayor Lane: Thank you. Councilman Phillips?

Councilmember Phillips: Thank you, Mayor and I have one more question. When you are talking about 10:30 and 11:00, are you talking about you cease at 10:30 but your last run could be up to 11:00.

Or is the last run at 10:00, so you would be done by 10:30?

Chief Walther: Our goal is to have it conclude completely at 10:30.

Councilmember Phillips: Nothing after 10:30.

Mayor Lane: Thank you. Mr. Washburn, do you have a comment?

[Time: 00:28:05]

City Attorney Bruce Washburn: Just to clarify, the Council report references operating until 10 p.m., but actually after the, it didn't get changed in the Council report but the ordinance itself, as presented, says that you can't operate a pedalbus between 10:30 p.m. and 6:00 the following morning. So I'm assuming to make sure that the record is absolutely clear that your motion is to change that provision, which would be Section 17-385a-14, it's unlawful for an operator to operate a pedalbus between 11 p.m. and 6 a.m. the next morning which as opposed to 10:30 and 6 a.m. the next morning.

Mayor Lane: Yes, that's my intention. Thank you, Mr. Washburn. They have been operating this pedalbus for quite some time now already, and it has not caused any difficulty and they have been operating on that schedule. One of the things that's come up, is that their tour actually ends at 10:30 and it's a matter of whether or not they are still on the road to get back to their point of storage or parking. So I just think that it's an easy enough thing to accommodate that on that level and it's certainly not going to change the equation from what's already been going on for some time now, for at least near a year if not a little more. And so there doesn't seem to be any other comments on this. So I would then say we are ready then to vote. All those in favor, please indicate by aye. Those opposed with a nay. Motion passes 6-1 with Councilman Littlefield opposing. Thank you. That completes item 22.

ITEM 26 – PRESIDING JUDGE EMPLOYMENT AGREEMENT

[Time: 00:30:01]

Mayor Lane: And our next item on the Regular Agenda is the Presiding Judge, City Judge Employment Agreement. Do we have Mr. Davis here?

[Time: 00:30:10]

Human Resources Director Bruce Davis: Yes. Good evening Mayor, members of the Council. On January 27th, the Council approved the reappointment of Presiding Judge Joseph Olcavage to a four-year term beginning on March 9th, 2014. The Council also recommended an annual salary of \$160,000, with subsequent salary adjustments prior to the fiscal year and the general employee population. The items before you are the adoption of Resolution 9655, an employment agreement and Contract 2014-025-COS. Bruce Washburn, the City Attorney is here, or myself to answer any questions that you might have.

Mayor Lane: Thank you, Mr. Davis. I don't have any cards on it for public testimony. I don't have any indications or requests to speak on this. So I think we could move directly to a motion to adopt Resolution 9655 authorizing employment Agreement Number 2014-025-COS with Judge Olcavage who was reappointed Presiding City Judge for a four-year term effective March 9th, 2014.

Vice Mayor Korte: I will second that.

Mayor Lane: I will make that the motion and you can second it.

Vice Mayor Korte: That's fine.

Mayor Lane: Thank you. Councilman Phillips?

[Time: 00:31:36]

Councilmember Phillips: Thank you. I will be voting no on this. I want to make it clear the reason why. It's not because of the judge or his term, but I do not agree with the monetary consideration. Thank you.

Mayor Lane: Thank you, Councilman. Seeing there's no further requests to speak on this, we are then ready to vote. All those in favor, indicate aye if you agree and nay if you oppose. Motion passes 4-3 with Councilman Robbins, Councilman Littlefield and Councilman Phillips voting no. That completes item 26. Thank you very much. And the Judge is here, congratulations, Judge.

ITEM 27 – MONTHLY FINANCIAL REPORT

[Time: 00:32:24]

Mayor Lane: Item 27 is a Monthly Financial Update and we have Jeff Nichols here to give us that report.

[Time: 00:32:30]

City Treasurer Jeff Nichols: Yes, thank you, Mayor and Councilmembers. In the spirit of evening, I will try to keep this as brief as possible because very fortunately, things are remaining on track for this fiscal year. So with no further delay, start off with the General Fund operating sources. You notice the sales tax, the general purpose and the public safety sales tax is currently running 3%, a positive variance. If you will recall, you will see later in the slide for this fiscal year, we had actually bumped it up to 4%, from this area. It's running 3% above our forecast which is good news for us. Some of the other variances, I will note in property taxes, the primary taxes, that's a timing issue. We don't expect that to be there at the end of the fiscal year. One that has been questioned and we have been questioning, building permits, you see there \$3.9 million, yes, sir?

Mayor Lane: Excuse me, Mr. Nichols. We have a comment from Councilman Robbins.

[Time: 00:33:43]

Councilman Robbins: That's what I was going to ask, Jeff. Do you have any reasoning behind the building permits and can you speak to what type of buildings we are seeing that has caused that increase.

Jeff Nichols: I can't speak to the types of buildings that are causing that increase. We are seeing an increase across the spectrum, if you will. There's some major projects that I think we are all aware going forward in Scottsdale. There's also some additional single family home activity that we are seeing. I had staff look at this just today. We looked at the figures through January 31st and we truly believe at this point in time, that this variance this \$3.9 million variance will be there at the end of the fiscal year. For February through June, we expect to remain on track. If we continue to track above our monthly allocation or budget, if you will, this variance will increase, but at the present time, we do believe at a minimum, we will be looking at probably a \$4 million variance in this area. I would also like to point out that for the '14/15 budget, we have increased this revenue source for '14 and '15 in light of the activity that we are seeing so that people in the planning area think this is a gradual uptick, if you will in this revenue source and that it will continue through '14/15.

Councilman Robbins: So would it be beneficial for us to know commercial versus residential and areas of the city that this is happening? Do we keep track of that kind of thing?

Jeff Nichols: We do keep track of this at a line item level in the different permits and if you would like, next month I could bring that back and actually have a slide on this and walk through the various areas that make up this variance and show you where those, where we are seeing those increases. I would be more than happy to do that.

[Time: 00:35:40]

Councilman Robbins: And that would be good. Can you put that in context of what that looks like, versus what we have seen in past years or is that a single number from year to year. Can you break that down?

Jeff Nichols: We can compare it to prior fiscal years numbers for a four or five year period, we can do that.

Councilman Robbins: That would be helpful. Thank you.

Mayor Lane: Thank you, Councilman. Councilman Phillips.

Councilmember Phillips: I have two questions, actually, I just thought of one about the building permits. The building permits that have just come up, or those are previously approved building permits to where now they are building? I have been asking that question of the people down in

Planning.

Jeff Nichols: When people pull a permit, they have a certain amount of time before they need to go active with that permit. And at least at this point in time, I have not gotten a clear analysis of that issue, whether it's previously pulled permits and they are just activating them now and starting the building or whether it's people actually pulling permits right now and starting them right away.

Councilmember Phillips: That would be good to clear them up. It seems to me that last quarter was when the building was going on. If this is new, these are permits that would not come to fruition for six to 12 months.

Jeff Nichols: Correct.

[Time: 00:37:01]

Councilmember Phillips: The other thing is the sales tax, I'm wondering, I'm getting a lot of statements, it says P.O.S., Point of Sale and I'm wondering if that's the new trend because of the T.P.T. tax is going to be changing and will we start seeing up that here? Is it going to change?

Jeff Nichols: Mr. Mayor, Councilman Phillips, I don't believe any of this has to do with the house bill 2111, the change in the T.P.T. and the way it will be reported through A.D.O.R. If anything, I have a meeting on Thursday at the Arizona League of Cities and Towns where all the finance directors from the various municipalities will be meeting, and that's one of the issues we are going to be discussing is the implementation of this and the planning for it. There's concern on our part in several different areas related to that change. So we are monitoring, but I don't, I believe this is just general activity increase, and then the next slide, I will be talking about the areas.....

Councilmember Phillips: So in a way, we will always have it as sales tax? You won't separate it between Point of Sale and.....

Jeff Nichols: No, sir, we won't separate. It will still be reported the same to you.

Councilmember Phillips: All right. Thank you.

Jeff Nichols: You're welcome.

Mayor Lane: Thank you, Councilman. Please, Mr. Nichols, go ahead.

[Time: 00:38:16]

Jeff Nichols: The other one, Mr. Mayor, you had questioned us last month on the interest earnings and you see we show a 79% variance while the dollar amount isn't that large. I would just like to point out that at the current time this has to do mostly with the accrual accounting that we do, and the fact that we only do accrual accounting at June 30th and so there's an entry that will be made related to

investment losses, if you will, at June 30th. So we don't expect this to continue, i.e., I'm not looking for interest earnings at June 30th, 2014, to be let's say \$1.8 million in the General Fund. Actually, I'm looking at them to be probably in the \$700 to \$800,000 range, once we book the entry to close the books. This is just a timing issue at this point in time.

Drilling down farther, within the sales taxes, you will notice the variances there for small retail stores at 4%. What I'm being told at the present time, the analysis being done by the, it's just increased sales is what we are seeing year over year. Miscellaneous goods and services, same thing. So for the most part, hotel lodging, miscellaneous sales, you will see \$200,000 favorable variance or a 10% favorable variance. They are citing increased number of conventions and just the bed tax revenues are up. So the activity at the hotels themselves are up and they are collecting more sales tax for us. Again, the construction sales tax, the 9% favorable variance or \$500,000 over budget. All we are seeing is, again, the activity related to the building that's going on, the building permits. As you know, this is another area that's going to be affected in future years, the construction sales tax because of the change in state statutes and the way it will be collected.

[Time: 00:40:35]

Mayor Lane: Mr. Nichols, real quickly on this one, we have seen these numbers time and time again, and it's not ever occurred to me but I notice that large retail sales are flat on a year-to-date basis from budgeted revenue from this category of sales tax and small retail stores are substantially, well, they are 4% improvement versus flat. What's the defining element to describe a large retail versus a small retail store?

Jeff Nichols: I don't have an explanation for that right now. I don't personally know. I promised I wouldn't defer any questions to Ms. McIlroy, because her voice is not doing very well. What I will promise to do is get with staff and find out the differences in the groups of businesses that we put into those categories and I will bring it back to the next month's update.

Mayor Lane: Thank you. And I guess one of the things that just for the record, or for the note, whether or not this includes, and I would imagine that it probably does, restaurants. As a small retail store. I don't see necessarily a, oh, I'm sorry. Yes, we do have restaurants and bars. Pardon me. Forget that. Yes.

Jeff Nichols: So I'm not sure of the category and the licensing and the way it's broken down but I will get with the manager in the sales tax area and have that information and bring it forward at next month's meeting.

Mayor Lane: Okay. Thank you.

[Time: 00:42:18]

Jeff Nichols: You're welcome. As you can see this is one of the slides where I had referenced that we had forecast approximately a 4% increase in the 1% general purpose sales tax. This past month,

January, for the December collections, we were up 5.3% over January of last year. However, you will notice by the bar graph here, that's the least if a favorable month that we've had year-to-date, fiscal year-to-date but it's still positive and at this point, I think I will be happy with anything that is positive like this. On the operating uses by category, again, moving forward, you see the one unfavorable variance in overtime that's being driven mostly by police at this point in time. Approximately \$752,000 of the variance is related to police. \$209,000 of this variance is related to Fire. The good point here on Fire is that's down from the previous month, when they had a \$227,000 negative variance. So it's moving in the right direction. And I'm not, I'm not absolutely sure but it more than likely has something to do with the 13 new recruits which the Fire, if you recall, when you gave them authorization to make that higher, that they had indicated that that would have a favorable effect on the overtime cost for the Fire Department from this point on until the end 69 fiscal year. So hopefully we see that number reducing.

Under contractual commodities and capital outlay, there's a number of things that are driving this positive variance, however, the vast majority of those things are just timing issues. Again, in the police department, they are a couple of months behind getting the bills, they are not behind, but getting the bills from the Maricopa County sheriff's department so they can pay them in a timely manner. That's a favorable variance, but eventually it will catch up. There's some areas, related to the purchase of software where they are in negotiations. They just, they budgeted for these items. They haven't procured them yet, and so we expect by the end of the year that the vast majority of the favorable variance in this area will not be there. And, again.....

Mayor Lane: Excuse me. Vice Mayor Korte has a question or a comment.

[Time: 00:44:57]

Vice Mayor Korte: So I'm looking at the prior slide on General Fund operating. So Personnel Services and total Personnel Services from 11/12 \$88 million to 13/14 of \$100 million. That's about a 15% increase in two years. What can we attribute that to?

Jeff Nichols: The one thing is the citywide pay program that was available for employees and that was, I believe, a 2% in '12/13 and for '13/14..... Judy?

Budget Director Judy McIlroy: Mayor, members the Council. Sorry. I didn't want to have to do this. The biggest contributor in the current fiscal year being we've had 16 pay periods; prior years, we only had 15.

Jeff Nichols: So this is year-to-date numbers is what she's saying and so there's an extra pay period in the year-to-date numbers in this fiscal year and pay period cost us approximately \$10, \$11 million. So that would be the big chunk of it.

Vice Mayor Korte: Okay. Thank you.

Mayor Lane: Mr. Nichols, on that retirement line, it's showing if we are talking about year over year,

from 11/12 to 13/14, we have moved almost \$3 million just on the retirement side of things. What is our, is that, I realize there's only one real adjustable one, unless we have to fulfill to a certain level of the retirement percentages of our unfunded liability, but the percentage that has, of the taxpayers or the city's portion of the contribution to the retirement fund, has that been, is that reflected in these kinds of increases or is there something else in addition to that?

Jeff Nichols: No, that is the total increase and those are the adjustments made by both the Arizona State Retirement System, year over year and the adjustments made by the Public Safety Personnel Retirement System year over year, that are driving those increases. As you know, it's a 50/50 submit on the A.S.R.S., but on the public safety side, it's a fixed amount. It has been increased. However, the city's portion of that, we were talking about this just the other day is approximately 26%. This ruling that just happened this past week, of course, the Public Safety Personnel Retirement System is going to have to go back and retroactively pay their members the cost of living increases that were withheld. Those are not reflected in here. That just comes from the retirement system, however, when they make those adjustments, we fully expect that the rates going forward, when we get the new rates that they will be increased accordingly, what those are, we don't know at this point in time.

Mayor Lane: So we don't know even what portion of that is our burden, even though it may be reflected in increases next year? But that retroactive payment, as you were just mentioning, we don't know how much that is in dollars and cents?

[Time: 00:48:34]

Jeff Nichols: Well, the retroactive payment, we will only get that prospectively. The Public Safety Personnel Retirement System will have to pay that from the current fund.

Mayor Lane: But that's.....

Jeff Nichols: That will be.....

Mayor Lane: Yeah, that's undoubtedly going to impact all the cities that are involved with it.

Jeff Nichols: Yes.

Mayor Lane: But we don't know what.....

Jeff Nichols: But we're not going to get a percentage of that. It will drive the rate increases in future years that we may see from the Public Safety Personnel Retirement System.

Mayor Lane: It will impact the percentage increase when the overall calculation is done in future years?

Jeff Nichols: That's correct. And if we go to operating fund by division, if you can see a lot of the positive variances that we talk about in the commodities, capital outlay area, help mask, if you will,

some of the overages that we have in the other area, with currently public safety police being the only one showing in only \$100,000 unfavorable variance at this point in time. However as we start paying on those contracts and start procuring on those items, it's a timing difference at this point in time, you can expect to see some of these variances by division grow towards the end of the fiscal year. So overall, and in summation, we are looking at a positive variance from sources of approximately 8.2 million. I was speaking with one of the Councilmembers earlier, I don't know, several weeks ago, and they were mentioning that it was their estimate that we would finish up with maybe a \$10 million positive variance. It looks like that may very well be likely by June 30th, 2014, and it would be, you know, very much welcome. So with that, I would take any additional questions that you may have.

Mayor Lane: Thank you, Mr. Nichols. I don't have any requests to speak on this from the public and there's no indications right now from the dais. So thank you very much for your presentation.

Jeff Nichols: Thank you.

Mayor Lane: All right. That completes our Regular Agenda items.

MAYOR AND COUNCIL

ITEM 28 - BOARDS, COMMISSIONS AND TASK FORCE NOMINATIONS

[Time: 00:51:04]

Mayor Lane: Move on to Mayor and Council items and our next item is item 28 and it's boards and commissions and task force nominations. Rachel Smetana will be working the chart for us, but at this point, I will go ahead and turn it over to the Vice Mayor for execution of this nomination process.

Vice Mayor Korte: Thank you, Mayor. So here we go. This evening, the City Council will be nominating Scottsdale residents interested in serving on seven citizen advisory boards and commissions. Staff is withdrawing three of these vacancies due to lack of candidates. The four remaining with vacancies are: The Human Relations Commission, the Library Board, the Neighborhood Advisory Commission, and the Transportation Commission. Those nominated will be interviewed at the City Council meeting on Tuesday, March 18th, and appointments will follow each set of interviews. So let's get started.

[Time: 00:52:03]

Human Relations Commission, there are two openings. The Scottsdale Human Relations Commission promotes all levels of diversity. James Campbell is eligible for reappointment and has submitted an application. The applicants are: James Campbell, Ragan Grossman, Robin Murphy and Janice Johnson. And I will now entertain nominations for the Human Relations Commission and remind each Councilmember that you may nominate two applications. So I'm going to start with Councilmember Phillips.

Councilmember Phillips: I will nominate James Campbell.

Vice Mayor Korte: Robin Murphy.

Councilman Littlefield: No additional.

Mayor Lane: James Campbell and Janice Johnson.

Councilwoman Klapp: No additional.

Councilwoman Milhaven: No additional.

Councilman Robbins: I will add Ragan Grossman.

Vice Mayor Korte: So we have nominated James Campbell, Ragan Grossman, Janice Johnson and Robin Murphy. Thank you.

[Time: 00:53:30]

Vice Mayor Korte: Moving on to the Library Board, the Library Board advises Council on general policy relating to programs and future development of the library. Dierk Seeburg submitted his application yesterday afternoon and it was placed on the dais for your review. There's one vacancy, and three applicants. The applicants are: Hallette Fealey, Christine Naiman and Dierk Seeburg. Each Council may nominate one applicant. Councilmember Littlefield.

Councilman Littlefield: None.

Mayor Lane: I nominate Hallette Fealey.

Councilwoman Klapp: Christine Naiman.

Councilwoman Milhaven: No additional.

Rachel Smetana: Pardon me, I'm sorry.

Councilwoman Milhaven: No additional.

Councilman Robbins: Dierk Seeburg.

Vice Mayor Korte: And that completes the nominations for Library Board we have Hallette Fealey, Christine Naiman and Dierk Seeburg.

[Time: 00:54:43]

Vice Mayor Korte: We move on to the Neighborhood Advisory Commission, there are two openings. The Neighborhood Advisory Commission 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 are two vacancies and one applicant. The applicant is Jordan Ledbetter. I will entertain nominations.

Mayor Lane: I will nominate Jordan Ledbetter.

Vice Mayor Korte: And that completes the nominations. Jordan Ledbetter will be forwarded on to appointment.

[Time: 00:55:24]

And now we have the Transportation Commission. There's one opening. The Transportation Commission is an advisory board to the City Council on matters related to transportation. There's one vacancy and one applicant. The applicant is Barry Graham. I will now entertain nominations. Councilmember Klapp.

Councilwoman Klapp: Barry Graham.

Vice Mayor Korte: That completes our nomination. Barry Graham will move forward. This completes the nomination process this evening. The city staff will contact the people who were nominated and provide them with additional information. I would like to take this opportunity to sincerely thank all of who applied to serve on a citizen advisory board or commission. 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. Now I turn the meeting back over to the Mayor.

Mayor Lane: Thank you very much, Vice Mayor. That quick glance, we have no petitions filed or otherwise. We are completed of business this evening.

ADJOURNMENT

[Time: 00:56:36]

Mayor Lane: I would accept a motion to adjourn. Moved and seconded. All in favor of adjournment, please indicate by aye. Opposed? No opposed. Thank you very much, everyone.