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CALL TO ORDER

[Time: 00:00:04]

Mayor Lane: Good afternoon. I would like to call to order the Tuesday, March 4th, 2014 City Council meeting. It's a little after 5:00. And we'll start with a roll call, please.

ROLL CALL

[Time: 00:00:14]

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.

Councilman Littlefield: Here.

Carolyn Jagger: 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. Just a little business to start with. We do have cards if you would like to speak on any of the topics or for public comments. They are the white cards that the city clerk has over her head to my right, and we do have yellow cards if you would like to give us some written notes on any item that's on the agenda that Council will read during the proceeding. We do have Scottsdale officers Tom Cleary and Dave Pubins right straight in front of me if you have need for their assistance and the area behind the Council dais are reserved for the Council and staff. We do have restrooms under that exit sign for your convenience.

PLEDGE OF ALLEGIANCE

[Time: 00:01:16]

This afternoon we have the Pledge of Allegiance from the Scouts from Troop 109 that will lead us in the pledge. If you would come and lead us. And all possible stand.

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: If you like, please turn around so you can face the crowd. These gentlemen, I understand are here for a government badge. So we pressed them into service today for the Pledge of Allegiance but if you would introduce yourself, and maybe indicate the school you go to and what your favorite activity is or topic or subject.

Troop 109: Hello, my name is Adam Musial, I go to Basis Phoenix and my favorite subject is math because I have an "A" in it.

Mayor Lane: Very good.

Troop 109: My name is Matthew Musial, I go to Scottsdale Preparatory Academy and my favorite subject is history.

Mayor Lane: Very good. Thank you, boys. I think you have earned the badge already.

INVOCATION

[Time: 00:02:38]

Mayor Lane: This evening we have Jim Duchene to provide us with an invocation and I would like to mention the fact that Jim is the chairman of the East Valley Mayor's Prayer Breakfast Committee and I'm hosting that here in Scottsdale at the Princess Resort, the Fairmont Princess Resort this Thursday, March 6th. It's shaping up to be a wonderful morning and features Jerry Colangelo as the keynote speaker and there will be a few seats available if anyone would like to attend at the event itself. Let's see, what you could do for that, if you have that interest, just call my office for information and, of course, that's at 480-312-7977. Jim, thanks so very much for leading that committee and it looks like we are really going to be putting together a heck of a breakfast and we really do appreciate your activity with that and frankly for the invocation here tonight.

Jim Duchene: Thank you, Mr. Mayor. Let's bow our heads. Dear Heavenly Father, we assemble tonight as leaders and representatives as citizens in our community. We know that all authority is ordained from you and not of man. We ask for your blessing on tonight's proceedings that we speak with wisdom and kindness, that we listen fully and with understanding, and that we conduct ourselves with one another as you commanded to love our neighbors as ourselves. In your name, we pray, amen.

Mayor Lane: Thank you, Jim. I actually have no further report from this seat other than what I just mentioned about that prayer breakfast which is at 7 a.m., I might say, at the Fairmont Princess Resort on the 6th. That's coming this Thursday. And I have an indication that there's not a City Manager's report. So thank you.

PRESENTATION/INFORMATION UPDATES

[Time: 00:04:27]

Mayor Lane: We do have a presentation from the American Heart Association's, the Gold Fit Friendly Award. Nora Perry, Business Development Director of the American Heart Association:

Human Resources Executive Director Bruce Davis: Good evening Mayor Lane and members of the Council. A major element of the Council's strategic plan is to reinvest in the high performance work organization and culture. A workforce that is in good health can help to contribute to that cause through increased productivity, decreased absenteeism and greater organizational commitment. Over the past several years, the City Council has embraced a wellness philosophy to address the well-being of city employees. Recently the city received the 2013 Work Site Health Promotion Award from the Wellness Council of Arizona. Tonight we have Ms. Nora Perry from the American Heart Association to further recognize the city's efforts in its wellness programs. Ms. Perry.

Nora Perry: Thank you. Good evening, Mr. Mayor, members of the Council. Thank you very much for having me. I'm Nora Perry with the American Heart Association and it's my pleasure and honor to be here this evening to present the Gold Level Fit Friendly Work Site Award. For those of you unfamiliar with the Fit Friendly Work Site Award, it's an initiative of the American Heart Association's My Heart, My Life Healthy Living program, and it's meant to honor those work sites that are promoting wellness and to promote wellness within work sites that have not yet begun that journey. So the City of Scottsdale has earned this award through a number of behaviors in its workplace, including promoting physical activity, opportunities, and offering opportunities for that, increasing the access and offerings of healthy food choices in the workplace, as well as promoting a workplace culture of general wellness. And in addition to these three areas, there are nine criteria that need to be met at the very minimum in order to receive this award. I'm very proud to say that the City of Scottsdale has met those requirements and therefore, I have the pleasure of presenting this award this evening to Mr. Behring. The Fit Friendly Gold Level Achievement Work Site Award from the American Heart Association. Thank you very much, and congratulations. Thank you very much.

Mayor Lane: Thank you, Ms. Perry and congratulations, Fritz, and the entire organization for that. It's notable.

PUBLIC COMMENT

[Time: 00:07:16]

Mayor Lane: Our next item of business is the Public Comment. It is reserved for citizen comments regarding non-agendized items with no official Council action taken on these items, inclusive of any discussion. Speakers are limited to three minutes each with a maximum of five speakers. There will be another opportunity at the end of our session for any additional requests to speak and for public comment. At this time, we have two requests to speak for public comment, and we start with Sandy Schenkat.

[Time: 00:07:54]

Sandra Schenkat: Good evening, Mayor and Councilmembers. Mayor Lane, Councilwoman Klapp, Councilmen Littlefield and Phillips are aware of the abuse that the city taxpayers and I have suffered because of two board members at the Venetian Condominiums. I was eliminated as a board member after I discovered mismanagement of H.O.A. funds. The City Court was negligent in accepting a fraudulent affidavit of service for an injunction which was never served to me. The City Prosecutor's office fell prey to a violent and devious member. And they believed Cheryl Bergenbaum and prosecuted me for criminal misdemeanor. They wasted thousands of city taxpayers' dollars and the Board of Directors of Venetian wasted an excess of \$70,000 trying to keep me quiet and tried to ruin my life. This has been ongoing for over two years, but as of February 5th, representing myself before the City Court, I was finally granted a satisfied conviction. The city police were also abused by numerous false 911 calls by two of the Venetian board members, Richard SchabIn and Cheryl Bergenbaum caused more taxpayer dollars to be wasted. I have requested the cooperation of Mr. Washburn's office to assist me in determining how the prosecutor's office could have believed Cheryl Bergenbaum and why they wasted the taxpayer dollars to prosecute me. Mr. Washburn backs up the office in the mistreatment of me. Are they so desperate for work that they would perpetuate this horrible case against me? It was obviously that the taxpayers were the losers because of lack of discernment by the city prosecutor's office. A complaint about the prosecutor's office was voiced last week. I don't know what that was about, but it prompted me to think that I'm not the only person to be subject to an unjust prosecutor's office. I don't know what is involved for you to request an investigation but I would think it would be a priority to oversee the city prosecutor's office to get them to stop unjust and frivolous prosecution. The homeowners at the Venetian condos deserve better government. I would like you to make them accountable. Thank you.

Mayor Lane: Thank you. Next is Mike Aloisi.

[Time: 00:11:12]

Mike Aloisi: Mr. Mayor, City Council people, visitors, voters, and especially the police officers I'm going to waive my prepared remarks tonight. I would like to permission, Mayor and City Council to have one minute of silence for a fallen police officer in Phoenix. Would that be all right? I would like one moment of silence.

Mayor Lane: I'm sorry, Michael, please just continue with your statement. We'll look to that.

Mike Aloisi: Is that a no, Mayor?

Mayor Lane: That's a no for you right now, yes.

Mike Aloisi: Effective tonight, I'm requesting a 10% increase across the board for all police officers, firemen, and first arrivers to a scene would risk their lives for our city, our state and our country. And to be quite honest with you, Mayor, that moment of silence rejection is going to hurt you. My father was a police officer. He gave his life for his city, his state and his country. When I was 8 years old, this gentlemen in Phoenix gave his life for his city, his state, his country, his wife is going to be without

her husband to pay her bills. I know what that's like. I was the man of the house at 8. And my mom got half pension because he didn't have his full 20 years in. I take things like this personally. My dad was a coordinator of groups of people. He was good at it. So they sent him up to Harlem and he was shot, but he didn't give in. He hung around a few days and then succumbed. Every day a police officer puts his uniform on, he risks his life. There's a judge going to get \$163,000 a year to sit on his fanny. And you guys get a lot less to risk your lives. I will be back. 10% increase, all police officers, firemen and first arrivers. Jim, I've known you a long time. A moment of silence was justified.

Mayor Lane: Thank you, Mr. Aloisi. And I agree with you and it was probably something that we could have done at the outset, but it was not appropriate for you to call for that here at this point in time. But thank you. Okay. That completes right now the public testimony for the public comment period of time.

CONSENT AGENDA

[Time: 00:15:12]

Mayor Lane: So we are now in the next order of business is the consent items 1 through 6. We do have a request to pull item 6 from consent and that item is the Economic Development Special Programs Fund Center. It is a request to adopt a Resolution 9670 establishing a center within the Special Programs Fund for Economic Development effective July 1st, 2014 and authorizing the restriction of the special program revenues for use of market, for marketing, promotion, events and other activity that support economic development. So that item will be pulled from the consent items. Without any further comments on consent items, I would ask that we, for a motion.

Vice Mayor Korte: Mayor.

Mayor Lane: Yes.

Vice Mayor Korte: I move to approve consent items 1 through 5. One through five.

Councilwoman Klapp: Second.

Mayor Lane: The motion has been made and seconded by Councilwoman Klapp and seeing there's no further comment on the consent items 1 through 5, we are ready then to vote on those. Those in favor of the motion, please indicate by aye and register your vote. Motion passes unanimously. That completes the items consent with the exception of item 6, which we'll move to the Regular Agenda and it will be the next order of business. If you are here for those consent items, you can stay or you can leave quietly.

REGULAR AGENDA

[Time: 00:16:53]

Mayor Lane: So moving on to the regular agenda items, again, starting with item 6, this item was pulled by Councilman Littlefield for presentation and it looks to me like we have our Economic Development Executive Director here, Danielle Casey here to give us the explanation. So proceed, please.

ITEM 6 – ECONOMIC DEVELOPMENT SPECIAL PROGRAMS FUND CENTER

[Time: 00:16:57]

Economic Development Executive Director Danielle Casey: Very good. Thank you, Mr. Mayor and Councilmembers. I believe we did submit some slides. Oh, look at that. Lovely. So just to give you a highlight of what this request is for. This is essentially for establishing a fund which gives us budgetary authority to expend funds if we raise money. So it's something that as we looked at as a team, we found it's fairly common among the funds in the city organization. This Resolution will create a new cost center within a Special Programs Fund. It would be restricted for marketing, promotion, events other activities supporting economic development. And then the idea would be for community partnership and collaboration. So if you think about events like the Cure Corridor event that was produced last fall, we actually had several private donors that helped to create that event and fund that event.

If in the future, if we want to raise funds and move those to where we have a little bit more control over, all of those events are produced and managed and we would want to set up a fund that gives up the budgetary authority to expend those dollars. Whatever we don't raise or don't get donated, we certainly don't spend. But you can't spend funds unless you have budgetary authority to do. So that's what we are looking at establishing and also something that would allow us to roll over unused revenue. So if the organization were to receive donations or contributions for economic development programs in the amount of \$20,000 for a year and we only expended 10, we could control over that 10 for future programs.

Let's see what else do we have here? Some of the examples of the existing cost centers that are in the community are through Community Services, Scottsdale Cares, sports, Public Works, Police, Fire has paid for heart monitors this way. One of the other things I would like to point out is that doing it this way also ensures that funds that are used, that are raised and collected by the city, also follow our procurement guidelines. So make sure that we are managing any funds that we receive in the proper method and I would be thrilled to answer any questions.

Mayor Lane: Thrilled?

Danielle Casey: Yeah.

Mayor Lane: Thank you, Ms. Casey. We do have Councilman Littlefield with a comment or a question.

[Time: 00:19:36]

Councilman Littlefield: Where did this idea come from? And who, if anybody, has approached the City about donating money and for what purpose?

Danielle Casey: Mr. Mayor, Councilmember, this is actually something I asked my team to look into, because of the Cure Corridor event and other opportunities in the future. So the Cure Corridor event was really facilitated with private donors paying for things on their own to create this program, to celebrate an event and so this is part of my previous experience, in former roles with other communities that bringing in funds to sponsor programs. I had created a program for Community Services before in the past, where we could collect funds and raise sponsorship dollars to sponsor little league teams and other programs we had going on in Parks and Rec.

If there are contributors that want to support these programs, it allows us to collect those and bring them in, before we would start raising or collecting any funds. I will caveat that I don't want the economic team to become fund-raisers and doing these types of things. We would create a clear program of events and opportunities. Some of the things that we are doing over at the Eureka Loft, for example, in partnership with the library are starting to go do a small business series. And so bringing in different city departments at no additional cost, other than staff time are wonderful, police and firefighters have agreed to do a session on public safety, for businesses and we will be bringing in purchasing departments and other groups to educate small businesses and wouldn't it be nice if anyone wants to sponsor these that we can provide refreshments and other things.

Councilman Littlefield: Well, I guess my concern is that these kind of off books funds are not a good idea. If a business wants to fund a little league team or an event, they can do so, and they can get together and doing so and I'm not comfortable with getting the city into this. I would worry about how it would be used and what type of oversight it would be. I think that's a problem and so I will be opposed to this.

Mayor Lane: Thank you, Councilman. Just so that there isn't any misunderstanding, this is a fund for economic development that businesses would be interested in, some coordination or collaboration on the economic development side. It's not for little league teams.

Danielle Casey: Mr. Mayor, that's correct. I was just.....

Mayor Lane: You were using that as an illustration.

Danielle Casey: An example of how these funds are used across city departments and in other communities.

Mayor Lane: Councilman Phillips?

[Time: 00:22:12]

Councilmember Phillips: Thank you, Mayor. So the way I'm hearing this, like the Cure Corridor when they wanted to donate, you had to go to them and say, well, this is what we need and then they just paid for it, where now you are saying just give us the money and we'll do it?

Danielle Casey: Mr. Mayor, Councilmember, that's the idea so that Cure Corridor event, there were private groups that funded and managed that outside of the city. So what this would allow us to do is if someone wanted to support a program that was a city initiative. It would give us greater control and it would ensure that any funds spend on a city program followed procurement processes.

Councilmember Phillips: Yeah, that's a tough one too, because if some certain group gives you a certain amount of money and then you say, well, it didn't really cost that much money because you made the example of something was left over and we will use it for later and then there shouldn't be anything. I think that's why they want to be in charge of their own money if they are the ones donating. So it's kind of a hard line to think that, you know, maybe we should be running the money. You know, we have been doing it the other way forever and it seems to be working. So what's the point of changing it now?

Danielle Casey: Mr. Mayor, Councilmember, I would definitely say this doesn't make it or break it critical to our program. It would be an additional asset to function and sponsor programs and possibly enhance what we are offering.

Councilmember Phillips: Thank you.

Danielle Casey: Thank you.

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

[Time: 00:23:47]

Vice Mayor Korte: Thank you, Mayor. In the packet that you gave us, Ms. Danielle, you talked about types of activities would be trade shows targeted on industries. So is that a good example of what you are thinking about here is helping to sponsor our presence at trade shows in order to better facilitate and make Scottsdale more visible to these different industries?

Danielle Casey: Mr. Mayor, Vice Mayor, correct. And sponsoring different programs and events. We would like to have an annual economic outlook event so that we can tell all the folks in the community what we are doing for economic development and update them on those activities. So things like that.

Vice Mayor Korte: Okay. Thank you.

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

Councilman Littlefield: Who gets to decide how the money is spent and who gets the checks? So if

I have a business and I contribute to this fund, who then turns around and says we are going to spend x amount on something? You, Paul Katsenes, the City Manager?

Danielle Casey: Anybody that wanted to contribute or sponsor a program, it would really structure a little bit more like a sponsorship. It's not like coming and saying I want to buy 10 widgets or 14 croissants for a breakfast then would want to sponsor a program or an activity and we have other departments that we modeled this after. They have forms where the contributor can sign and say I want to restrict my funds for this certain activity and this is how it would be used. That would be collected through the Finance Department, through the Treasurer's office, and would report back to the donors on the results of any activities.

Councilman Littlefield: But you still haven't answered, who decides to cut a check and where the check goes?

Danielle Casey: Mr. Mayor, Councilmember, it would go through the normal budget process. I think if you are asking exactly what we are spending on, when they agree to sponsor.....

[Time: 00:25:59]

Councilman Littlefield: The money flows in, who gets to decide when the money flows out. My concern is that it turns into a slush fund. Who gets to write the check? Gets to put the name on the top of the check as to where it goes? And you see, you know if a business wants to sponsor something, why do they need to run it through the city. I think it is fraught with peril. Who gets to decide where the check goes?

Danielle Casey: Mr. Mayor.....

Councilman Littlefield: Is it you?

Danielle Casey: Mr. Mayor, Councilmember, if it was a program through the Economic Development Department, it would be under my direction as to how we produce that event. So it would be myself.

Councilman Littlefield: So the answer is you?

Danielle Casey: Mr. Mayor, Councilmember, correct.

Councilman Littlefield: Okay.

Mayor Lane: Thank you Councilmember. Councilwoman Klapp.

Councilwoman Klapp: I think this idea is actually a good one for a variety of reasons. A good example would be in Community Services department, I recall when we were looking for donations for Meals on Wheels. A gentleman gave \$25,000 to Meals on Wheels and it was designated funds. These are designated donations that other departments collect. I think it makes sense for Economic

Development to be able to receive contributions through a fund. I think it's more transparent to have a fund which is available to show who has given money into the fund rather than some sort of arrangement outside of the department of monies being provided for a program such as Cure Corridor or something else. I believe this is a more transparent way of taking money from a donor, putting it into a fund which is available for public scrutiny. So I will certainly support it.

Mayor Lane: Thank you, Councilwoman. I would just want to add to the idea that I think this really actually adds a little bit of transparency and control certainly from the standpoint of the city but there is one area that I would want to make sure that we do, and that is to be in control of it, and that is to make sure that we have a separate accounting for these funds and that they are consistent with what the directives were as far as the event or the application, just as you have indicated. Even though they would be included in the budget and I understand the need for that, it makes it a bit simpler to get the funds in and then have them properly allocated and frankly going through a procurement process so they are well spent if a bid is required or otherwise on some of this. So I think that that's an important component of control, but I'm believing that's inherent, as you mentioned, a form that were somebody to submit these funds, it's on the basis of certain representation and therefore the applications would be that effort on the overall, or it a specific event. And the rolling over of funds is probably the one area of things where there will have to be at least some acknowledgment by a donor to say that on the overall effort, this is something that I want to sign on to. So I think, I certainly favor it. I think it's a reasonable way to do something that we have really tried to accomplish in a variety of methods in the past, particularly in the downturn of the economy where the business community did step up to help the economic engine in that. Vice Mayor Korte.

[Time: 00:29:33]

Vice Mayor Korte: I think another good example is the Operation Fix It. So the state of the City Address, we raise, we, the Mayor and staff, we raise money, I think the, I think Henkel contributed \$10,000 to that and that's administered by staff. It's transparent. It goes through the necessary processes and I think it is very good for the community and I see this as very good for the community. So thank you, Dani.

Mayor Lane: Thank you, Vice Mayor. I don't think we have any further comment on this at this time. So thank you very much, Ms. Casey. I think we are then ready for a motion.

Vice Mayor Korte: Mayor, I move to accept item number 6 on the Consent Agenda.

Mayor Lane: Motion to accept item number 6 from the Consent Agenda. Do I have a second?

Councilwoman Milhaven: Second.

Mayor Lane: The motion is made and seconded. And the item is to adopt Resolution 9670 establishing a center from within the Special Programs Funds for Economic Development, effective July 1st, 2014 and authorizing the restriction of the special program revenue to use for marketing and promotion, events and other activities that support economic development, including business

attraction, retention and expansion. So with that being said, we have a motion and a second. Those in favor, please indicate with an aye. Those opposed with a nay. The motion passes 5-2, with Councilman Littlefield and Councilman Phillips opposing. Thank you again for that presentation.

ITEM 7 – EMPLOYEE MEDICAL PLANS AND PREMIUMS

[Time: 00:30:18]

Mayor Lane: We will now move on to the items originally on the Regular Agenda, which I will start with item number 7 which is the Employee Medical Plans and Premiums. And a request to adopt Resolution 9660 to authorize, either one, fiscal year 2014/15 medical and dental plan contribution rates from one of the following options: A, to increase the rates by 3.3%, and increase certain copays or Option B, increase the rates by 5.3%, and do not increase certain copays. Two, plan design changes and three, an incentive to active, covered employees to participate in the city's wellness screening program. Do we have a presentation, if I have this right? Lauran Beebe.

[Time: 00:32:29]

Benefits Manager Lauran Beebe: Good evening Mayor and members of City Council. I'm Lauran Beebe, the Benefits Manager for the city and I am walk through the major issues considered in developing proposed medical premium and contribution rates for the fiscal year beginning July 1, 2014. In total, medical and dental costs are expected to be 27.3 million this fiscal year. Based on premium cost sharing, approved by the City Council in the past, employees pay \$6.7 million or 25% of the premium, and the city, the employer pays \$20.6 million or 75% of the premium.

There are currently 2,273 covered employees that represent about 6,000 members. The vast majority of these are 84% are covered in the city's plan that offers most coverage. The cost of healthcare continues to increase. This slide shows claims cost on a per employee, per month basis of 12-month rolling average for the most recent calendar year. The increase is about 7.4% over this time period. Our city's benefit consultant, Chase, expects costs to continue to grow through this year and into next.

Why are costs increasing? Increases are due to employees being a year older, higher prices charged for medical care, increased usage for medical and specialty pharmacy services and the federal reinsurance fees that went into effect January 1st, 2014 which this year equates to about \$310,000. Looking forward over the next 12 to 18 months, Hayes forecasts that costs will continue to rise at about 8%. So knowing that our trend is about 8% over the next year, what can be done to control costs? First, we looked at reducing administrative overhead. We entered into a new contract with CIGNA and also eliminated costs internally, which saved about \$1.2 million. Then we looked at changing copays, deductibles and out-of-pocket maximums for the first time in five years. This shifted \$400,000 in costs from premiums. Next we set the rates to the levels to capture the remain needed funds. Finally the incentive program to encourage the employees to go the doctor for a wellness screening and complete a health assessment.

The last time any copays were changed was five years ago when the primary care visit increased by \$5 to the current level of \$20 and four years ago, we implemented a \$40 copay for complex imaging. Hayes recommended these proposed changes for a couple of reasons. First, because we have not made any changes to copays for many years, they have remained the same, but claims costs have been rising and the city has continued to pick up an increasingly greater share of the claims costs. Most employers need to evaluate copays annually.

[Time: 00:35:27]

Secondly, these changes shift some of the members who utilize the service, which helps to mitigate the up front cost to everyone else. We reviewed other city employees in the region and the markets and these amounts are reasonable. What would we change? Here's a summary the plan design changes under this year for the CIGNA OAP in network, the plan that 84% of our members are in. We will make similar changes as applicable to the other plans.

In addition to some increases, there are also some decreases in costs, if employees decide to take advantage of the new programs offered by CIGNA, such as the new telemedicine option with MDLive, and the CIGNA medical group facilities. An additional plan design change is recommended, to permit employees to carry up to \$500 of unused amounts in their health Flexible Spending Account each plan year. This will allow employees to budget at least \$500 per plan year to pay for medical expenses, without the danger of losing any money.

So we started with an overall 8% increase. We reduced the administrative fees by switching to a new medical and dental provider and reduced internal costs to save about \$1.2 million. We also increased copays and deductibles to help shift the cost to members who use the services which saved \$400,000. So instead of an 8% increase, we are now looking at 3.3% increase. Most employees will pay \$3 to \$11 more per month, single employees will pay more, single employees will pay less and the family employees will pay more.

The city will see an increase of \$12 to \$37 per month. The H.M.O. and the P.P.O. dental plans have decreases in monthly plans for both the employees and the city. In total, the cost to the city rises about \$750,000 from the current year. When we presented this proposal to employees some employees mentioned that they would prefer to pay more in premiums and not through the plan designed changes. So if the City Council wants to do that, the alternate proposal would increase employee rates by \$5 to \$18 month and the employer base to \$19 to \$58 per month. The additional cost is a total of 1.15 million.

[Time: 00:38:00]

With the new insurance provider, there's some insurance guarantees to improving health. CIGNA will pay the city if they are not able to move the employees from the higher risk categories to the lower risk category. We need 65% participation in order for this guarantee to go into effect. To improve employee health and wellness, the proposal is for the city to invest \$135,000 and CIGNA to invest \$225,000. Employees will be eligible to obtain a wellness incentive if they have a wellness visit and

complete the CIGNA health risk assessment. Employees can take advantage of the city's wellness incentive to help offset some of the premium increases. They would receive \$120 for participating and if their spouse or partner also participates it would be \$240. If the 65% participation rate is met, CIGNA will also randomly select 50 employees to receive \$500 in gift cards. All additional dollars from CIGNA will be used from wellness programs that address Scottsdale employees' health risks and needs.

In conclusion, staff recommends adoption of Resolution 9660 and the proposed increased can contribution rates of 3.3% and the plan changes on Exhibit A, B, and C, and they may also increase premiums by 5.3%, and eliminate the copay increases as shown on exhibits A, B and C and Option B. Thank you.

Mayor Lane: Thank you, Ms. Beebe, for that presentation. We do have one request to speak on this subject, but if you could stand by we undoubtedly will have some questions from Council as well. One and only comment card that we have is from Jim Hill of P.O.S.A.

[Time: 00:40:11]

P.O.S.A. President Jim Hill: I'm Jim Hill, I'm the President of the Police Officers of Scottsdale Association and I'm here tonight to talk about the different options before you. We would ask that you go for option two, the 5.3%, premium increase across the board. I have been part of the process as we have been looking at all of this, and seeing where it's coming from and where it's going and where it's been balanced. Don't forget when we switched to CIGNA, we saved \$600,000. That also needs to be factored in, which was missing. And when we looked at it, I sat on the employee benefits committee, which in the past, we always asked that things would go through with them and they get on board to make sure things run smooth. Well, I had to ask about the 5.3% plan and the benefits committee said yes we would rather pay extra money every month instead of taking the risk that one of us would have a sick child or an injury and within one visit you already wiped out whatever that increase in deductible was.

What this is, this is one of the most underhanded despicable things that happened to the employees in a long time. \$320,000 is what the City Manager told me maybe it's \$400,000 now and to say it will be used under the guise of funding the employee pay raise is very divisive. So you are left with the choice of vote for first option, and get your pay raise on the backs of sick kids and people with terminal illnesses because they will use the services more. Because let's be honest, when you talk about paying at the pump at the health services, that's what you are talking about, people. People who have to go to the hospitals, people would have terminal illnesses, people who have children that are deathly ill. That's what we are talking about. We are not talking about dollars and cents. And the negligible amount that this is and the other employees are willing to pick up. I think that adequately speaks to what needs to be done. You need to go 5.3%. If you tell me you will do this in order to pay, you might as well tell me to take \$5 out of my right pocket and put it in my left pocket and tell me that's a pay raise. If I'm self-funding the pay raise, it's not a pay raise.

Mayor Lane: That's the extent of the public comment on this. I will start with Vice Mayor Korte.

[Time: 00:43:01]

Vice Mayor Korte: Thank you, Mayor. Hi. On that MDLive, can you tell me what that means, it's a \$5 copay, MDLive. Is that an opportunity to be diagnosed over the web? Can you get prescriptions? Tell me exactly what that means.

Lauran Beebe: Mayor, members of Council, yes, MDLive is an option we have been looking at. We looked at with Aetna last year. For the \$5 copay, the employees can use their smartphone or do an actual call or Skype, and for any type of minor illnesses, allergies, sinus infections anything that could need a non-narcotic prescription, they can call in for \$5, another common one, the flu season is coming up. We have people who can call in and pay their \$5 and call in a prescription and pick it up or never leave the house and send their spouse to pick it up.

Vice Mayor Korte: Thank you. Second, I see we are continuing with the Flexible Spending Account for the high deductible plans, correct? For the high deductible plans?

Lauran Beebe: Mayor and members of Council, the Flexible Spending Account is for all three plans. For the first two plans, it can be used for medical, pharmacy, dental, vision expenses. For people in the Health Savings Account, with the high deductible plan, it's called a limited purpose Flexible Spending Account. They can only use that in conjunction with their H.S.A. to pay for dental and vision expenses. You can't use it for medical, because the health savings account is used for that purpose.

Vice Mayor Korte: So tell me, so I followed some of that. So an individual that is on the Aetna select plan which was the highest used plan, I believe. So individuals can also contribute to a flexible savings being that's pretax?

[Time: 00:45:13]

Lauran Beebe: Mayor, members of Council, yes, they have access to a Flexible Spending Account, where we currently we have a \$2,500 limit that they can put in each plan, there however, they are not able to carry it over. If they do not use it, they lose it. We probably keep about \$8 to \$9,000 per plan year that goes back into the wellness fund to help pay for employee programs. However, this is a benefit for employees if they are able to carry over \$500, they won't lose it. So they can use it year after year and not have to worry about, you know, finding money for copays and losing it at the end of the year.

Vice Mayor Korte: And the difference between a flexible and an H.S.A., I mean, and the H.S.A. is simply one can be carried over and one can't?

Lauran Beebe: Mayor and members of the Council, the Health Spending Account is used in conjunction with a high deductible health plan. You have to meet a \$1,250 or \$2500 deductible before any expenses are paid. We have 120 people on that plan right now and out of those 120, we

probably only have 30 that actually actively contribute to a health savings account where they can put up to \$3,250 or \$6,550 per plan year.

Vice Mayor Korte: And between the two different Resolutions to increase 3.3 versus 5.3, and copays are not copays, what is the real differential in costs to the city between those two options?

Lauran Beebe: Mayor, members of Council, the difference is about \$400,000. We did some sheets, Hayes has produced some sheets for us and when you look at the difference in costs, it's about \$366,000 with the numbers that they had used. I believe it was 2285 employees on the plan and they put them in each plan that they are in, whether it's the Aetna select or the CPAS, the Cobra or part-time, and so it's about \$366,000 difference.

Vice Mayor Korte: And so that is also taking into account the savings between the Aetna and going with CIGNA too?

Lauran Beebe: Yes, that's correct.

Vice Mayor Korte: So it would have been \$966,000 difference, wouldn't it?

[Time: 00:47:38]

Lauran Beebe: Mayor, members of Council, yes it would be about \$1 million. We just have some administrative fees, expenses that we reduced that Jim Hill was referring to, the \$600,000 was applied. We also applied some internal administrative expenses which helped further reduce from the initial 8% down to the 5.3 percent.

Vice Mayor Korte: So that administrative savings of \$600,000 really doesn't pertain to the decision between these two plans at all? It really comes down to almost \$400,000 difference.

Lauran Beebe: That is correct.

Vice Mayor Korte: Thank you.

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

[Time: 00:48:16]

Councilman Robbins: I'm sure for the employees it's comes to out-of-pocket expenses and the premiums. Did you do a study on how much the increase would be for an average city employees?

Lauran Beebe: Mayor and members of Council, yes, we did. I actually have a listing here of the different amounts that people used. We, for instance, in fiscal year '12/13 we had an average claim to the city of \$14,000 for the in-patient visits. The member cost per visit was \$300. The proposed is \$500. The difference for the member without any trend increase applied would be up \$44,000. We

did the math on all the other visits and in total, based on Aetna's book of business, at 12/13, it would have been about \$650,000.

Councilman Robbins: So I guess I'm trying to understand how a city employee would come up and ask for a higher increase in rates versus a lower increase in rates. What's the difference to the average city employee depending upon which one we choose. It seems like from what he's saying, his out of pocket will be lower if he has a 5.3% increase, versus a 3.3%, which doesn't make sense to me. I'm trying to understand.

Lauran Beebe: Mayor and members of Council. That's correct. The 5.3% increase would not increase copays. So there would be no cost shifting to the employees. Keep in mind we have not changed copays for five years. The cost of plans is still increasing. So the city will pick up an increasingly greater share of the copay. But the employees that do utilize the inpatient/outpatient, complex imaging, PCP would have an increase in their out-of-pocket costs if they go there. And if they do not utilize the services then they will have an increase in their monthly premium.

[Time: 00:50:46]

Councilman Robbins: Okay. Was there any thought given to blending those, giving those options and having the employees deciding if they want a 3.3% increase with additional copays or 5.3% increase.

Lauran Beebe: We did talk to the employee benefit wellness team. At that meeting, there were 20 members and they did all want to have the 5.3% increase. Since then we have only had a couple of comments and they have been both ways, employees that don't utilize the services would rather have a 3.3% increase and the employees that do utilize the services would like to have the 5.3% increase and not have the risk of the out-of-pocket cost to them.

Councilman Robbins: Right. I understand. Is there an option where you could have the employee decide which one they want?

Lauran Beebe: Mayor, members of Council, no, it's option A or option B or you could decide to postpone and redirect for us to do more research. However, we are switching vendors and we are trying to get some education out and get employees the information they need.

Councilman Robbins: So would it be possible to do the math on how the plan would, you know, if it was economically feasible to give the employees an option of A or B and if it's something that the city could afford to do.

Lauran Beebe: It would be very difficult to do that. Charlie do you want to.....

Councilman Robbins: I realize it's a math exercise and you don't realize it's which one people will sign up for.

Hays Company's Charlie Broucek: Correct and I think what you are asking for is then now we have three plan designs. I will think what you would be asking for are six plans. And would change the dynamics clearly of how we underwrite and look at the actuarial values between the plans. Every year we have to project where we think people will go. In other words will they choose, you know, the highest cost plan or the lowest cost plan? This would just extend those options to, well, technically it would be five plans because we won't make any changes to the H.S.A., we wouldn't make any changes to the H.S.A. plan design. Nonetheless, it would create some challenges.

Councilman Robbins: Are you up to that challenge?

Charlie Broucek: If asked to be up to that challenge, I'm sure we can assist.

Councilman Robbins: Thank you.

Mayor Lane: Thank you, Councilman. And Councilman Phillips.

[Time: 00:53:25]

Councilmember Phillips: Thank you, Mayor. I will go along with what Councilman Robbins said. He kind of has a point there and I was thinking, you know, on the one hand, you've got the 3.3% with the certain copays and there's no way I can vote for that. And the other one, the increase by 5.3%, but you show it a cost of city increase of \$366,000. So now we are asking the taxpayers to pay for that and I don't really appreciate that either. I don't see why you have come up with the 5.3%. Couldn't you have come up with the 6% so that the amount of city pays would have been the same?

Lauran Beebe: Mayor and members of Council, that is just the proposed options that we came up with.

Councilmember Phillips: Okay. That's why I'm kind of going along with Councilman Robbins. Maybe we need to look at this and find some better options because I'm really not happy with either one right now. Thank you.

Mayor Lane: Thank you, Councilman. Councilman Littlefield.

Councilman Littlefield: Well, that was the option you came up with. It doesn't mean that you can't come up with new options, does it? I mean, the bottom line here is that, make sure I heard you correctly, you are saying that option B will end up costing the city more than option A.

Lauran Beebe: Mayors and members of Council, that is correct.

Councilman Littlefield: Right. You can't know exactly because you don't know how many people are going to use health insurance next year but it's your perception, or your estimation, I guess, would be the better word that option B will cost more. But at the same time, what Detective Hill said, the medical insurance is for the most catastrophic stuff instead of routine and I can understand where

they are at. So why couldn't we come up with an option that doesn't increase copays but narrows or eliminates the gap between the city's contribution on those two? What would you have to increase it by? 6%?

Lauran Beebe: Mayors and members of Council, Hays, our benefits consultant, would have to go back and do some actuarial calculations to determine that number.

Councilman Littlefield: Well that's what I would prefer to see.

Charlie Broucek: Mayor and members of Council, I think what you are asking is whether or not we can change what has been adopted in the past, the contribution arrangement between the city and the employees of 7525.

Councilman Littlefield: Yeah.

Charlie Broucek: Am I hearing that correctly?

Councilman Littlefield: What I'm saying is right now, there's going to be some amount of money difference. We don't know exactly what because you can't predict who will get sick and who will do what but your estimation is that there will be some difference in the cost to the city between option A and option B, right? Option B will cost some amount more and you estimate what?

Charlie Broucek: It's the difference, \$366,000.

[Time: 00:56:47]

Councilman Littlefield: Okay. So I guess what I'm saying is why not tell us how much you would have to increase the rates in order to eliminate that difference without increasing the copays. Would it be 6%? Why couldn't you.....

Charlie Broucek: You mean the rates to the city?

Councilman Littlefield: No, the rates to the employees.

Charlie Broucek: This is an equal.... Mayor, members of the Council, the 5.3% is equal distribution. The employees would pay 5.3%.....

Councilman Littlefield: I get that. So why not, what I'm asking is, how much would that 5.3% have to increase to eliminate the difference between those two to what it will end up costing the city while keeping the copays static. I think that's what you have heard from three of us up here at least.

Charlie Broucek: Well, the 5.3% is the number. I think what, just making sure I understand, in order to absorb, say, that 366 and what the employees are asking for, we would need to increase their contributions to the plan. The 5.3% would not change, it's just who pays for the 5.3%. Could you

take the \$366,000 and put that into the employee side of the equation.

Councilman Littlefield: But what I think I'm hearing up here.....

Mayor Lane: Pardon me, Councilman, I think there may be some clarity that Mr. Behring would like to lend to this and he asked if he could.....

City Manager Fritz Behring: I think what Councilmember Littlefield is trying to say, in order to hold the city harmless on that, the distribution of that 5.3% would have to be shifted. Currently it's 25/75. You would probably have to go to like a 26/74, 27/73, that would be the mathematical difference. The increase of 5.3% would still be the same.

Councilman Littlefield: All right. So why don't we do that?

Fritz Behring: If that's what the wish of the Council, that's what we need to talk about tonight.

Councilman Littlefield: I think that's what we heard from three of us. That's something that needs to be considered.

[Time: 00:53:33]

Mayor Lane: Thank you, Councilman. I have some quick questions and then I have a comment to make. One, our plan is considered a premium quality plan, we paid a penalty tax, if you will from the A.C.A. or from Obamacare. How much was that, actually?

Lauran Beebe: Mayor, members of Council, we are not considered a Cadillac plan by the A.C.A. standards. The reinsurance fee that we are paying about the \$310,000 is helping to fund the federal healthcare exchanges that we're required as employers to do.

Mayor Lane: Okay. So every employer is required, that is part of our increase, the \$310,000 the premium?

Lauran Beebe: Yes, that's correct.

Mayor Lane: It's an additional assessment and it's an annual assessment?

Lauran Beebe: Mayor and members.....

Mayor Lane: It will be an annual assessment on that. And the other question is that since we are not designated as a Cadillac plan to pay a further premium in the way of an assessment to the Obamacare, one of the things, though, that has been working through the system, is to try to get greater results from medical care and one of those also is to reduce the number of visits and the cost sharing has been an element. One of them is certainly a higher deductible or increased copays. And so this actually, the increased copay does go towards that plan to try to incorporate some of the

philosophy that the administration has in this plan that they have been presenting to the general public. But that was just somewhat of a question and an observation, but I would appreciate the quantification on what that is additional assessment is to us. It has come up from a number of sources.

The other is, when we talk about changing the population by giving options between these two plans, you do just exactly that, you change the population. So the intensity of premium increase, if you say, okay, we're going to only have those people who are likely to use the lower copay and that's what they want, it's effectively going to change the equation as far as what the premium is. It won't be 5.5 or whatever, 5.3 rather. It will be something north of that, if that, in fact, the population was separated.

Obviously, the blending of the two is the very reason we are at 5.3 on that particular deal on the increased copay. So I just, I don't see that as a viable option because I think we are going to find ourselves with as much pushback on that aspect as possible and it will, of course, it will incur some complications, I think as you may have mentioned too. I think one of the things as we consider this, we have considered changing the percentage of allocation of cost before, we have done it a number of years ago. And there's certainly room to think about whether or not this Council or this city itself, administratively wants to change that equation, but that's been found to be a very difficult thing to proceed with.

[Time: 01:02:34]

But there may come a time that we will have to change that allocation percentage again. Right now, at 17, at 75/25, it's a very generous allocation with the taxpayers picking up the largest portion of the increase and frankly, the bill on the overall. So I'm not, at this point in time, what we're discussing, unless the Council decides to take the entire thing and rework, inclusive the allocation percentages, we should relook at the whole allocation of costs. And so that opens up a whole new door. So I'm not necessarily anxious to suggest that.

That would be something that this Council, in view of our financial situation with the budget, might be something we want to look at. I would say that right now, in the fact that the 5.3% is philosophically in line with the country's attempt to try to get users to pay by either higher deductibles and/or increased copays, is probably the direction that I think makes the most sense, personally. Even if there's a slight motivation, there's a slight motivation and I can't imagine that this would be significant, but to reduce the number of visits which would obviously have the compounding effect of reducing our claims experience and thus the increases in the future. So personally, I think that's the most advantageous way to go and makes the most sense for all of us in the long run. So that's my thought on it. Vice Mayor Korte?

[Time: 01:04:21]

Vice Mayor Korte: Thank you, Mayor. Across the board, whether it's municipalities or private industries, do you have a metric of average premium versus, and copay of packages, give us an idea of what that average might be?

Lauran Beebe: Mayor, members of Council, Charlie can probably speak better to what the national averages would be.

Vice Mayor Korte: Thanks, Charlie.

Lauran Beebe: I can give you what the cities that are we have around here which we fall right in line with.

Vice Mayor Korte: And I would like to know that too.

Charlie Broucek: Mayor, members of the Council, I don't have necessarily, I apologize with me today, a benchmark report that would give me statistics nationally and anything I would say would probably be more anecdotal than fact at this point given the fact that I don't have a benchmark report in front of me.

Vice Mayor Korte: Thanks, Charlie.

[Time: 01:05:20]

Lauran Beebe: Mayor and members of Council, just to give you some outlook of what's happening. Chandler and Tempe actually have dropped their equivalent plan that we have 84% of our employees on. They don't offer it any more this year. Within the other cities there's a range. There's a \$20 copay for P.C.P. to a \$45 copay for a specialist. For the in-patient, there's a range from \$200 copay up to 10% coinsurance on a similar plan. Outpatient can range from 0 to 150. And then as far as rates, currently, the way the split, the 75/25 split earlier is for dependents on our current Select plan, our coinsurance, our premium percentage is 80/20%. Our middle plan, our CPAS plan and the agency is the 90/10% split.

Vice Mayor Korte: Let's look at Select because that's 84% of our employees. 80%, you are not talking about deductibles here. You are talking about 80% is covered by the city, 80% of the premium?

Lauran Beebe: Mayor, members of Council, that's correct.

Vice Mayor Korte: Okay. Thank you.

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

[Time: 01:05:20]

Councilman Littlefield: Okay. So if it's true that the members of the employee committee would have preferred higher increases in the base rate as a tradeoff for fewer increases in copays, is that a fair statement?

Lauran Beebe: Mayor, members of the Council, that's correct.

Councilman Littlefield: Okay. So, but you say here that we have got a \$366,000 difference in cost to the city between option A and option B. So let me try to rephrase my earlier question. Maybe it's my fault. Maybe I didn't make it clear enough by focusing on the 3.3 to 5.3%. In your slide, you say in the 3.3% scenario, employee rates increase by 3 to \$11 a month. In the 5.3% scenario, employee rates increase by 5 to \$18 a month. All right. So let me rephrase my question: How much would the employee rates have to raise in alternate B to eliminate the \$366,000 extra cost to the city?

Lauran Beebe: Mayor and members of Council, we would have to have Hays go back and do an actual analysis.

Councilman Littlefield: A month, a day? Later tonight? I would like to see that. It sounds to me, that if you wanted to make them revenue neutral to the city and at the same time, meet the needs of the employees as expressed, actually not even by Jim Hill, but by the committee, why don't we look at that option? I would like to have that option to consider it. How hard can it be?

Mayor Lane: Thank you, Councilman. Yes, Mr. Nichols, did you have a question or is there someone that is using your I.D.?

[Time: 01:09:13]

Assistant to the City Manager Brent Stockwell: City Treasurer asked me to respond, I'm Brent Stockwell. So let's walk through this. The city portion of premiums in the current year is about \$6.5 million. If a 3.3% increase, if we increase by 3.3%, that will be \$250,000 more that the employees will pay. If you want to instead increase it by 5.3%, that's an additional \$133,000 that the employees would pay. If you wanted to take the city's portion, that \$400,000 and shift that over on to the employee side, that would be \$533,000 more in addition to the \$250,000. So let me just slow down for a second. If you are going from \$6.5 million and adding another \$783,000 on top of that, that's a 12% increase. So the employees would increase by 12%, and the city would only increase by 3.3%. So I don't think that's what the employee groups were intending when they said they didn't like the 3.3% proposal. That would be a bigger cost shift on to the employees than the roughly \$400,000 cost shift from increasing copays.

Mayor Lane: Thank you Councilman and thank you, Brent. Councilwoman Milhaven.

[Time: 01:10:48]

Councilwoman Milhaven: Thank you, Mayor and I think you helped clarify but I'm going to go where I was going anyways. Because we are a self-insured plan, the costs are what we pay out to cover expenses and the premium equals those costs so it can use those interchangeably.

When we shift, when we increase the copay, we are reducing the total that gets paid out from the plan to the employee, so the total that gets paid out is less because we have shifted it to the employee. So now the reduced cost, we are only paying 75% of that reduced cost. So for us to be able to say it's neutral to the employee, we would have to do what you are saying, which is change the mix, to say we will pay a greater percent of that cost to keep it neutral to the employee. Am I on the right track? So what Councilman Littlefield is asking is how do you keep all things equal and I think saying we are paying 75% of the cost and we are shifting copay is what? I'm not sure you can figure that out mathematically. And then I have, is that right? Please correct me if I don't have that right.

Brent Stockwell: Mayor, Councilwoman Milhaven. There are only two payers here. Any amount that doesn't get paid by the city is paid by the employee, and the amount that isn't paid by the employees is paid by the city. That's the challenge with this type of scenario.

Councilwoman Milhaven: You said we are not a Cadillac plan which suggests there's some rating scale. So if we are not a Cadillac plan, what kind of a plan are we?

Lauran Beebe: Mayor and members of Council, Charlie, do you want to.....

Charlie Broucek: Mayor and members of the Council, the Cadillac tax that I think everybody is referring to tonight does not come into play until 2018 in health care reform. So at this point, there's no need to calculate whether or not the plan is Cadillac in nature or not, because the Cadillac provisions don't roll in until 2018.

[Time: 01:13:04]

Councilwoman Milhaven: I was making the assumption that Cadillac was more expensive than a different kind of car. So Cadillac would be the most expensive plan you could have.

Charlie Broucek: The Cadillac has an actual place within health care reform and in 2018 but, yes, to answer your question, the Cadillac tax could does refer to the plan that is better.

Councilwoman Milhaven: I think we need to face up to the realities that say, health care costs are increasing. The rest of the world is seeing their premiums increase, and I think it's only appropriate in order to be fair to the citizens and employees that we recognize and share in those costs and so, do you have more speakers, Mayor. Thank you.

Mayor Lane: Thank you, Councilwoman. One other thing I wanted to ask and Charlie if you could move to the microphone, I think this is something that I think is very relevant to any kind of deliberation or discussion we have on this. We have a difference between that plan that increases the copay and then shifts some of the cost to the users specifically, as we were talking about philosophically, and we, that amount, if I were to look at the numbers here, it looks to me like it's some \$300 and some odd thousand dollars. Is that right? I'm looking between the \$750 and the \$400,000 or do I have that, are those the wrong comparative numbers and I guess what I'm trying to say, what is the dollar amount between the 3.3 and the 5.3? I know it's 2% of our premium, but, and

incidentally our premium is the cost of everything plus a percentage of administrative fee, which means the more our premiums go up and the more dollars go into administrative fee.

Charlie Broucek: Mayor and members of the Council, the difference in total is \$490,000.

Mayor Lane: Okay. So almost \$500,000. And the point I was trying to make earlier, not only is there a savings for everyone this year, with going with some cost shifting which, again philosophically is aligned with where we are going as a country on this, for a lot of reasons whether we agree or disagree, that's the direction we are going but the other is, is that I'm presuming that this \$490,000 is the savings on the basis of actuarial determination of that cost shifting. It can only be that. And so if we were to save that amount of money this year on it, we would be effectively saving that amount of money going forward.

My question was going to be to you: Is there, I'm sure that's how that number was derived, I'm talking about the 3.3 versus the 5.3. There must be a calculated effect of what the cost shifting like that does to your overall cost experience, your claim experience and that's what's reflected in that. So anything that we are talking about, a \$490,000 some comparable amount however that is calculated actuarially, would be recognized each year. We may not be talking about it next year, if that's the plan we go with and we stay with that but it would be recognized each and every year. And possibly maybe even gain momentum. I don't know. That's, I suppose that's sort of a long winded question, but I don't know if you can confirm that for me, that observation or not.

[Time: 01:16:59]

Charlie Broucek: Mr. Mayor and members of the Council, yes, that's, in fact, correct. A change this year would have downstream impact in subsequent years, probably even to a greater degree than it has in the first year, based on annual trend and so forth.

Mayor Lane: So we would effectively be seeing our rates going up by a comparable amount next year if we stay with the same kind of program with no change in the copay?

Charlie Broucek: Mr. Mayor and, members of Council, that's, in fact, correct.

Mayor Lane: I think that's a very important point for us all to receive. It's not just a matter of this year but the compounding effect of that. We like to talk up here of a structural change in any plan or budget that's going to be recurring year after year. So this isn't just a \$490,000 savings if effectively puts in motion that could change our claim experience. And with that, and frankly, I think I'm of the understanding, well, I will just go, there are some other speakers. Vice Mayor Korte.

Vice Mayor Korte: Thank you, Mayor. We know that this trend to shift more cost to the employees has been consistent trend for the last probably 15 years. In my organization, in my own organization, we have had to deal with a 17% increase in healthcare premiums. We are not self-insured and that is, that is tough stuff to do, and unfortunately it has to be absorbed not only a little bit by the company, but also by the employees. And I, frankly, have a difficult time taking on additional costs,

given not only this trend but also the dialogue that we have been having the last two months in trying to fund some capital projects that we need to fund and looking at programs that we have to cut to fund those capital programs because of the failure of our bond issue back in November. So I will be supporting the increase of the 3.3%. Thank you.

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

[Time: 01:19:31]

Councilmember Phillips: Thank you, Mayor. Well, Councilwoman Korte brought up a point about the cost of her business going up 17%. And that kind of shows what is going on across the board and there are a lot of people. I have a self-employed business, and to be honest with you, they would have dropped my insurance as they are dropping a lot of people's insurance. So it doesn't sit well with me to ask the taxpayers to pay more for the city employees. On the other side of the coin, the city employees are like a family and we want to take care of them the best we can. I really feel that we should go back and find a way so that we are not asking taxpayers to put out more for us so it's not such a burden on the employees. With that I would like to make a motion that we table this discussion and ask staff to come back with some more options and allow the 5.3% increase and also being able to cover the extra expect to the taxpayers.

Councilman Littlefield: Second.

Mayor Lane: Motion is made and seconded by Councilman Littlefield. Do you have, do you want to speak towards that?

[Time: 01:20:47]

Councilman Littlefield: Yeah, I mean, everybody understands that we are all going to have to pay more. The city is going to have to pay more and the city is going to have to pay more. We can, I mean, the good news is there's, there's two pieces of good news. One, I think the city has done well in coming up with the idea changing providers. That looks like a good thing. I have to commend Brent for actually answering my questions. Thank you. I asked what I thought was a simple question and you had the answer. So good for you. But both Councilman Phillips and Vice Mayor Korte are right. Everybody will have to pay more but the devil is in the details and the question of how you divide that up. I mean, this is supposed to be employee benefit. So we need to look at what's good for the employees and frankly, insurance was designed originally for people who had catastrophic problems. It wasn't supposed to provide necessarily for day-to-day stuff. I think we can come up with a better plan that is cost effective but better for the employees. That's why I seconded Councilman Phillips' motion.

Mayor Lane: Thank you, Councilman. This is not an untypical kicking the can down the road kind of thing where we don't want to do either way, and we're thinking somehow magically, we will come up with some different numbers. I think that's just, I don't think that's in the cards. We can mess with this all we want, and reallocate our messages to the employees and the taxpayers somewhere along

the line, it will hit us one way or the other. I would emphasize not only debate it, but a change to a higher copay and user side of it is a savings on a continuing basis. It's not a one-year savings issue and I think it would behoove us to consider that one as well. In fact, to that point, even though I appreciate the effort to put together an alternative, well, I'm going to propose an alternative motion, and that will be to accept the alternative, I believe, it's A, the 5.3% increase on the overall.

Lauran Beebe: Mayor, members of Council, option A is the 3.3%, and option B is 5.3%.

Mayor Lane: No, no, no, option B is what I'm thinking about. Increase the rates by 5.3%. Oh, I'm sorry option A. I should have read this thing before I, in any case, option A, yes. So that's my motion. That's my alternative motion. The motion is made and seconded. Would the second like to speak to it at all?

[Time: 01:23:57]

Councilwoman Milhaven: I think the only thing I haven't already said was that you shared with us some of the competitive data and what's happening in the market place. It seems to be well in range. It seems to be a fair and appropriate deal for the employees. You have heard me talk about, what does the marketplace do. I think we need to look at the marketplace and it, need to look at the marketplace and I think it's fair to the citizens and fair to the employees.

Mayor Lane: We do have some further conversation. Councilwoman Klapp.

Councilwoman Klapp: I approached this evening the way that several were approaching it, perhaps there was a middle ground and there was a way to find a different option that would work for the city and for the employees but what I'm hearing, related to the numbers that option A is the only one that will actually work for the most people, including the city and the taxpayers and I do, so I will be supporting the motion but I think there are some things that have been offered here that have been helpful on the copay side and I appreciate that. One of the things that I have been asking for a long time, was the telemedicine concept, and I'm so glad that it is now available, because this is the wave of the future. This is the way that a lot of people will get their medical attention.

If we only have to pay a \$5 copay to get a medical doctor on the telephone or on the Internet who will prescribe to us medication that we don't have to go to our doctor right now and pay a much larger copay, as well as the time and effort to have to do it when you are sick, I think that's absolutely a great thing that's available to us. I'm very happy to see that CIGNA is providing that. And as for the other copays, I believe it is more fair that if someone is using the system more, they should pay a little higher user fee. So although I would like to have found a way that there would be something in between, that might work between option A and option B, I think based on the consent agendas that are available, even if we wait a couple of weeks, we are not going to find a way for the city to pay less other than going to option A. So we might as well bite the bullet now and I will accept option A.

Mayor Lane: Thank you, Councilwoman. Councilman Littlefield.

Councilman Littlefield: With regard to kicking the can down the road. We have an absolute deadline. We have to have it done by July 1st anyway and I don't think anybody has suggested, I haven't heard anybody up here at the podium suggest that we should somehow increase the amount of money that the city is going to pay, but I think it's pretty clear that there's some movement that could be made in here in terms of how much people pay for what, that would be better. And I don't think it's inappropriate at all to ask the staff another two weeks to go back and look at this and see if they can't come up with a better plan. Certainly have you heard concerns up here, even expressed by those who are supporting your alternate motion. There's room for improvement in this plan and it wouldn't kill us to take two weeks to take a look at it and see if we can't come up with something that's better for everybody.

Mayor Lane: Thank you, Councilman. Councilman Phillips.

[Time: 01:27:32]

Councilmember Phillips: Thank you, Mayor and, you know, I ditto the remarks of Councilman Littlefield. You know, the city employees, again like I said, it's like a family. When you do the 3.3%, you are splitting that family. You're saying I'm well, why should I have to pay for this. That's like saying I don't have kids why do I have to pay a school community tax? We are a community. We are city employees and we do it for the betterment of the city. So the employees that are well now are going to be wanting the other one later on. So there's no way I could go for the 3.3, that's just, it's just not fair. There are other ways and as Councilman Littlefield said, it's not kicking the can down the road. We are not saying, let's talk about this five years from now. Let's talk about this a month from now. Why did we come up with two, here's something else. I'm sorry. This was only going to be one proposal and we were just going to accept it as it was. We had to get staff to put these two proposals on here. So there's more proposals and there's more ways of doing things. It's just let's just come up with these two and these look like the two best ones and let's get it over and done with and move on. Let's do the right thing for a change. Let's come back and find a better way to do this that's acceptable to everybody. Thank you.

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

[Time: 01:29:03]

Vice Mayor Korte: Thank you, Mayor. Charlie, not to put you on the spot but you are the insurance calculator guru here. Just off the top of your head, Brent made it clear if we transfer the additional \$366,000 to the premium rate for employees that would result in about a 12% increase, which is very uncomfortable. What would be other options to absorb the additional cost but to come to some middle of the road solution?

Charlie Broucek: Mayor and members of the Council, we could certainly look at other plan design options. In other words, we could look at changing copays at a different level than what had been previously presented. At the end of the day, I guess the money is, the 5.3 is the calculated renewal as it relates to the plans that, you know, you currently have today. Any adoption of that or any wanting

to actually not create more expense for the taxpayer would be, as Brent referenced, would be shifted on to the employee in terms of their contribution split.

Vice Mayor Korte: So alternatives would be higher deductibles, perhaps, some type of cap, things of that nature?

Charlie Broucek: Mayor and members of the Council, the higher deductibles are exactly what is being contested. Based on the comments earlier, I don't think it would be the, at least based on those comments, wouldn't be the desired result from the employees.

Vice Mayor Korte: Thank you.

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

[Time: 01:31:20]

Councilman Robbins: I have another question about the slide that says "wellness incentive" where it says the city invests \$135,000 and CIGNA invests \$225,000. Is that cash investments or is that action by staff and by CIGNA employees?

Lauran Beebe: Mayors and members of the Council, as part of our RFP proposal, we did request wellness dollars from CIGNA and they will be giving us \$225,000 to use towards the incentive that we have proposed here, as well as some additional wellness classes and our specific health risks and needs for the city and then the \$135,000 will also go towards the incentive that's included in the premium rates to help employees to achieve that 65% participation rate.

Councilman Robbins: So that money goes to those would complete the visit and the survey?

Lauran Beebe: Mayors and member of Council, that's correct.

Councilman Robbins: Thank you.

Mayor Lane: Thank you, Councilman. We have an alternative motion on the table, and that's option A. I think we are ready to vote. All those in favor please indicate by aye. Motion passes 5-2 with Councilman Littlefield and Councilman Phillips opposing. That completes that item. Thank you very much, Ms. Beebe and Charlie, thank you very much for your input as well.

ITEM 8 – CITY'S PROPOSED FISCAL YEAR 2014/15 RATES AND FEES

[Time: 01:32:57]

Mayor Lane: Our last remaining item on the regular agenda is item 8 and it's the City's Proposed Fiscal Year 2014/15 Rates and Fees. And the presentation here is by our City Treasurer Jeff Nichols. Oh, no, pardon me. I guess as a backup, even though he's not first in line, Brian Biesemeyer.

[Time: 01:33:22]

Water Resources Executive Director Brian Biesemeyer: No, I will be presenting the first part of this presentation which will be on the enterprise rates and fees and then Mr. Nichols will get up and present the remainder of the presentation on General Fund rates and fees. Just as kind of a reminder, enterprise funds, fees and rates and fees are set based on 100% recovery all direct and indirect costs and our rates are based on multiyear financial plans. The history of our water rate adjustments over the last four years shows we have been very stable with our rates and the 14/15 proposal for overall rate adjustment is on the bottom line, and, again, it's a slight decrease in overall rates. I'm not certain we can continue at this pace because we have several large cost factors we are battling with. One I have on the Elmo, Brian.

This is our cap water rates, as you can see, they have been going up steadily. We typically consume around 70,000 plus acre feet a year and in the last year, the difference between '13 and '14 results from about 1.5 million additional cost that we had to absorb. Next year forecasted rate increases by another \$12 per acre foot. In addition to that, we have had increased electrical costs and the following slide shows a per unit value for our electrical both on water and wastewater on a per million dollars basis. We measure on a per million gallon basis to equalize our costs and understand our efficiencies. The red line represents what APS rates have done since fiscal year '07 and had we not been efficient in monitoring our costs and optimizing our operations, our per unit costs would go up to close to \$500 per million gallons processed. Because we have been successful in implementing some of that, our cost is around \$400 per million gallons processed. It doesn't seem like a lot because we are dealing with billions of dollars every year, the delta between those two lines is over \$2 million. Brian, if you could take me back to the presentation. Thank you.

So as we talk about water rates and fees. There's no overall rate increase on FY '14/15, we have some service charge adjustments for this year to meet cost recovery requirements in various services. If Council will recall, last year we proposed some service charge adjustments and they had not been looked at for a number of years and they were rather large increases. Council requested that we string these over several years to mitigate impacts to our customers and we did so. So what you will see in the next several slides are part of a two and three-year program to raise various rates and fees. The first one is the second of two years and the service charges, as you can see, we don't do a lot of these particular service charges and they are to recover costs for their services.

[Time: 01:37:36]

Now, these are different than impact fees. These are actually installation of, say, I meter and service lines that are required for there. And they are the actual cost. Impact fees, as we have discussed previously pay for the capacity in our system and not the direct connection. The second chart on the top shows, again, service charges increase again over the second year of two for various services and the bottom shows the ones that we pushed out over three years and it's the second of a three-year changes. Again, the bottom line is about \$46,000 of increased revenue or cost recovery for these services. And these are all water.

And as we go into wastewater, we are proposing a change in the basic wastewater structure. We are proposing a change for several reasons. One, we believe it's more equitable. It matches our cost structure and it mirrors the impact fee in water rate fees that we have. On your left, you will see the current sewer rate structure. There's a customer service charge of \$1.35. And then we have a volumetric charge based on the different customer category. This is, however, a minimum charge. So regardless of the volumetric charge, there's a minimum charge of \$14.87 for our customers. What we are proposing is a base fee, based on the water meter size, because the water meter into a structure is how the sewer is designed by the flow of water into the structure, sewer structure is designed based on the maximum flow into there that can be returned into our sewer, and then a volumetric charge and the volumetric charge would have no minimum on it.

[Time: 01:39:46]

So really, again, just to summarize, it's the elimination of a customer service charge and really incorporation of that into a base fee and a reduction in some of our volumetric charges, which I will show in the later slide as an offset to revenue generation are and we wanted to say on the, as part of this restructuring, it will reduce the revenue slightly. Again, it mirrors the water and the impact fee methodology and the base fee represents a fixed charge of reserving capacity in our system. So we need to, when somebody has a certain size sewer or water meter, we reserve a certain capacity in our treatment facility for when they need it. So that capacity is on demand and there's a cost to maintaining that, whether or not the capacity is used or not. And, of course, we, the volumetric charges are encouraged for efficient use of water and I think in the long run, the structure allows for more flexible strategy if we need to adjust for future rates.

This would be the proposed rate structure again on the left, the meter size and so the base fee would be based on meter size and those mirror the volumetric use of each of those meter sizes and then on the right is the proposed schedule based on some volumetric charges. Again, the residential and the multifamily residential volumetric charges are also decreased. So what does this mean? I apologize for the slide presented to you. It's got a little error in the zero, the x and the y axis. The following on the Elmo is a more accurate depiction of what residential customers could expect with our current and proposed rates. The white line you see is our current rate structure and so at the lower volumes usage, really everybody sat at a certain rate. They pay the basic minimum charge. So in, in this area, customers would be getting a reduced rate.

In the middle area, there would be a slight increase to our sewer customers and then at the higher volume rate, there would be, again, another slight decrease. The two areas where customers would see a decrease represents about 50,000 customers, those receiving a slight increase is about 20,000 and I have a couple of examples to show you. Brian, if you could slip back. There we go. These are standard comparisons that we show every year. Not that we set rates on what our fellow municipalities do, but we like to show where we stand in comparison. So for somebody using 8,000 gallons of sewer, with the 5 inches meter, they would see an 11 cents per bill increase in their rate. For someone using a little bit more, with a 1 inch meter, they would see a slight decrease in their rates.

Overall by category, now this is all equalized on to one inch meter size, you can see that for average, and they are all put on an average basis, for the, that average volumetric use, the single family resident will see a 6 cents increase, and the multifamily, the distinction is really only in the base fee change. Now, granted some of the larger commercial customers would have a larger meter size and they would see a larger change. In summary of these charges, the overall revenue increase or decrease is zero for our water charge and \$400,000 for our sewer charges. On the other enterprise funds, solid waste and aviation, no increases are projected for either one of those enterprise funds. Pending your questions, this concludes my portion of the briefing.

Mayor Lane: Okay. We've got one request to speak on this, but I will wait until after we have both presentations but we do have some questions or comments. So I will go with that. Councilman Phillips has got a question.

[Time: 01:45:29]

Councilmember Phillips: Earlier you were showing how electricity rates were going up and we were falling behind on that. And with this, it sounds like we are staying the same. How do we make up that difference?

Brian Biesemeyer: We made that up through our efficiency measures that we have implemented. We have done that. We reduced some of our capital expenditures. And we have just made our operation more efficient to absorb that portion of the cost. What I can't promise is we will continue on that trend. We pretty well maxed that trend out and we will start showing some increases, if those trends continue.

Councilmember Phillips: So you are showing us some good news then?

Brian Biesemeyer: I am trying to yes.

Councilmember Phillips: On the people that have the septic tanks in the city, because you are, the proposed is going to be going up the water meter rate, will they be charged too because everybody has a water meter?

Brian Biesemeyer: Mayor, Councilman Phillips, if they have a septic, we don't charge them. If they have a septic, they get a water charge only and they take care of their septic.

Councilmember Phillips: Thank you.

Mayor Lane: I know some months ago we changed the tiering. It was probably a year or so ago and I know that initially even though the attempt was to make it revenue neutral, the reaction from the general public on some of those new tiers wasn't what we anticipated. How is that, has that measured out to be near revenue neutral in that adjustment? That we agreed, you know, that we....

Brian Biesemeyer: It actually was slightly positive on the water side, when that rate increase was done but as you recall, last year we did reduce that as a result of being slightly positive. We make an estimation. We try as best we can to make that and it depends on the customers' consumption data and that one we didn't, we underestimated the revenue that there would be a revenue difference.

Mayor Lane: And so that's been adjusted and that ended up, I'm presuming in a relatively neutral.

Brian Biesemeyer: That is correct.

Mayor Lane: And with regard to this, these are all projections on the basis of experience, in other words, there's no question mark as far as how many households we have with certain lines or other lines as far as, well, I shouldn't say that. Rates are set and frankly, we are just applying any adjustments that you....

Brian Biesemeyer: The rates are set. You know, our wastewater rates are set on the volume flow based on winter consumption data and discounted so it's based on three months winter average and then discounted by 90% of your water use. Basically, that's done, that's a standard that's done through the industry to try to estimate what is actual household usage. So that's, these estimates are done on our current rates and what our current volumes are within our system. That doesn't mean that they don't change from year to year. And so they can change some, and we have tried to say, that's the reason we tried to stay on the negative, on the revenue collection so we don't do what we did in the water two years ago and say it's revenue neutral and it end up not being so.

[Time: 01:48:52]

Mayor Lane: Okay. One final question on this, that is on the sewer rates, the changes that we see in the boxes, that matrix on the current sewer rate structure versus proposed. We have a switch off in that the customer service charge of \$1.35, now goes to based on the meter size. So undoubtedly that went up but at the same time, the volumetric charged is based on category with a minimum charge of \$14.87. There's no minimum charge and it's specifically based on the volume of activity?

Brian Biesemeyer: That's correct.

Mayor Lane: And that's calculated on a winter month.....

Brian Biesemeyer: A three-month winter average.

Mayor Lane: Okay.

Brian Biesemeyer: And discounted 90%. We take a discounted rate of your three-month winter average.

Mayor Lane: Thank you. It doesn't look like we have further comments. I will hold the request to speak on item 8 because I believe it's on another category, I think. So thank you very much

Mr. Biesemeyer.

[Time: 01:50:11]

City Treasurer Jeff Nichols: Mayor, members of the Council, I'm here to give the non-enterprise rate change proposals. As you may be aware on an annual basis, we review these fees to determine the direct and incorrect cost of service and recovery rate. We also look to feel that staff is the one to determine, Council approved, staff recommends what is an acceptable recovery rate and the associated rates and fees are then approved by you.

This year, in the budget process, we received proposals from the City Attorney, the City Court, Community and Economic Development, Community Services, Public Safety Fire, and Public Safety Police regarding either proposed new fees or adjustments to current fees that are charged. The new rates are estimated to increase a general revenue, General Fund revenue by approximately \$933,000. You see the breakdown there attributable to the different proposed fees, the City Attorney at \$300,000, the City Court at \$310,000 and Community and Economic Development and Community Services, \$274,000, and Public Safety, Fire, \$16,000. There is a hole there and the rates being proposed by the Police department are actually rates that we charged outside vendors that want to use those services. So there would be no revenue increase to the city to pay that the officers received for doing those duties outside of the regular work, their way would be increased and it would be paid for by the vendor that needs those services. Two other areas besides the General Fund that would receive funding by the proposed rate increases are the court enhancement fund, probably \$769,000 and the risk fund, \$20,000 related to a charge being proposed by the fire department.

So city service enhancement fee. The City Attorney is recommending a \$17 fee and the fee would be imposed upon people that are causing the City Attorney's office work. It's work above and beyond what's required of us to do. So these, that's why we call these enhanced services. It's services that we tell them we will allow them to do and they pay a portion of that. They don't pay 100% of that. This would only be a partial cost recovery, but we estimate that this fee would raise an additional \$300,000 in '14/15.

[Time: 01:53:00]

Mayor Lane: Mr. Nichols, on that one, then this is a newly established area of fees, it's not an increase in an existing fee?

Jeff Nichols: It is a new fee. It's a fee that's new to us but there are other municipalities within the valley that currently charge this fee and collect revenue for it.

Mayor Lane: Excuse me. Are any of these existing fees, I'm talking about on the entire list, are any of them existing fees that we anticipate increases in or are they all new fees?

Jeff Nichols: Yes, they are a mix, Mr. Mayor, they are a mix. Some are new fees and some are just slight increases to existing fees.

Mayor Lane: But not based upon increased activity in a particular category of fee, by an increase in the rate maybe, from an existing fee but not necessarily, there's no calculation for anticipated increase and just overall activity in a given fee?

Jeff Nichols: That, as you can see, some of the Executive Directors are here. The City Attorney is here. I'm not aware of any increased activity that is going to be generating increased revenue. This would be either increased revenue from a new fee or increased revenue from the activity we currently have, just charging a little bit more for that activity.

Mayor Lane: Okay. Thank you.

[Time: 01:54:22]

Jeff Nichols: The City Court is proposing some renewal of two new fees, contract administration fee. Again, this is being driven by the customer. There's certain things that they request us to do and we have to write contracts. It's not required. It's an enhanced service. Some people say we don't want to pay our fines right away. Can we get a payment plan, things of that nature. We write a contract for them and we want to charge a fee for that. The other thing is the warrant fee. If they are not doing what the court has ordered them to do and for some reason we have to issue a warrant, where that person, then we would charge a fee for that. Those two new fees. The court is requesting to revise five existing fees. You see them there, the diversion program fee, probation fee, home detention fee. And court enhancement fee.

The different revenues, the General Fund would receive approximately \$309,000 in these increased fees while the court enhancement fund would receive approximately \$769,000 from these fees. Community and Economic Development, actually this is on communication facilities in the right of way. Their proposing a slight increase in the fee that's currently charged of 3%. They are estimating that it would create additional renew for the fund of approximately \$133,000 and Community Services they do an annual review of their programming and rental fees. So they are requesting the Scottsdale Ranch and Indian School Park, establishing new fees for reserving tennis courts if one-hour increments. In these fees we have a residential rate.

We have a nonresidential rate and we have a commercial rate and as you would more than likely understand the residents would pay less than a nonresident, who would pay less than the commercial uses for those tennis courts. Scottsdale Stadium, they are revising practice field fees. Currently the rates that we charge aren't in line with the rates that other municipalities charge and taking care of the Scottsdale Stadium, obviously, that field is maintained at a Major League Baseball level. That field costs us more to maintain than our other ballfields throughout the city. So they are proposing a slight increase in the hourly and the daily rate for the use of that field. Used sports field application. You can establish field reservation. Bill Murphy is here and his staff. They can talk to, this would increase revenue but they are also trying to modify the behavior of when people want to reserve fields, trying to smooth it out, if you will, and make the fields more available, people pay a little bit higher for the prime time but if they are willing to go to another time, pay a little bit less. They are

also establishing some lighting fields. Lighting fields reservations that we currently don't charge or they are increasing modestly.

[Time: 01:57:41]

The library, they are requesting to reestablish a processing fee for lost or destroyed items. You see there that that fee, we did charge at one time. It was eliminated in 2006. They are asking for that to come back and also to establish two fees based on interlibrary loan items and, again, they are trying to not only collect a fee for this, but they are trying to modify some behaviors whereby people might request an interlibrary loan item and then never come by to pick it up. And so for those people that put us through the expense and the cost of doing that, and then don't follow through on their end, they are saying a slight fee for that.

And then the last one, the corrected administrative error on the fiscal '13/14 schedule. If you recall, they were requesting an \$8 card fee for the McDowell Mountain Skate Park for newer replacement cards. That was overlooked when we had the Council approve the rates and fees last year. They are asking to you correct that in the fiscal year.

And the fire department, they are asking for increased fees related to three classes, first aid.....

Mayor Lane: I'm sorry, Mr. Nichols. Just under Community Services we have a request for a comment or a question from Councilman Phillips.

[Time: 01:59:01]

Councilmember Phillips: Thank you, Mayor. And I just wanted to make the comment that for Community Services, I understand you are doing best you can, but there's a lot of groups of people that are pretty upset about the rate fee increases and if you can keep those down to a minimal, I think it would be nice. So please keep that in mind. Thank you.

Mayor Lane: Thank you, Councilman. Mr. Nichols, if you want to go ahead and proceed then.

Jeff Nichols: And then a combination class of first aid, CPR, they are asking for an increase to two fees in the fire safety permits. One has to do with after hours and weekend fire inspections and the other is just an increase in the fire and life safety permit fees. Also the new fee is to establish off-duty fees for fire service personnel. Again, this is akin to what we do in the police department, where if someone wanted to have certified firefighters or sworn, not sworn, but to have a firefighter at an event, to provide certain services, if needed, that we would have rates and fees that we could then bill them for that and it would be paid directly to the firefighters. So these are firefighters if they are not on duty, they are available for the service and they would be paid through the vendors. So there's no impact to the city. There's no increased revenue from those fees.

Mayor Lane: Mr. Nichols, what are we doing right now? This is to establish the off duty fees. I'm certain this kind of thing comes up now. Do we just not charge for it?

Jeff Nichols: As you see, Chief Shannon coming down but that would be my assumption. I know we provide firefighters at many special events in the city. My guess is we are currently absorbing those costs and not charging the vendors for it.

Mayor Lane: Okay, Chief Shannon?

[Time: 02:00:57]

Fire Chief Tom Shannon: Mr. Mayor, members of the Council, you are correct and you are correct as well, sir. There are a number of events that we are currently providing some assistance to, kind of crop up event. An event might be the recent half marathon that occurred up at WestWorld over the summer, where a promoter decides to try a new event where we have to provide some services. This is in an effort to try to recover those costs. Whenever we have mass gathering events, there's a degree of risk that comes with that. That one in particular was during the hottest part of the summer and so we are obligated to provide services. This is really an effort to try to have something in parallel with the police department to provide off-duty resources, frankly at a reduced price than would be our existing overtime rate or city rate to the vendor. So it's, in my opinion, it's a win/win. We create an off-duty avenue. We provide that service and the vendor gets what they need.

Mayor Lane: Chief, do we end up requiring the service and requiring them to pay for it?

Chief Shannon: Not at this time. We intend to come forward with an ordinance. We have historically been vague about what we think is required as it relates to special events, E.M.S. and fire service delivery. So we participate in the city's special events committee and we will say, for example, a mass gathering might occur where, we expect very little E.M.S. activity. Perhaps there's one that is then assembled where we expect perhaps folks to enjoy their entertainment and E.M.S. activities or medical service calls would occur, at this point we insist that we have members there. We historically have not been able to recover that. We don't have structure in place through ordinance or through the rates and fees to establish that. We intend to establish an ordinance, similar to off-duty police work, wherein using a matrix for mass gathering events, we could then ask vendors to require E.M.S. services at this events.

Mayor Lane: Whose equipment do they use?

Chief Shannon: Right now, all E.M.S. services delivered by firefighters in the city is city equipment.

Mayor Lane: So with this charge, we are talking, that is off-duty personnel, I'm presuming they are not walking on the site. So they are using city property to facilitate this type of service?

Chief Shannon: There could be. We have both walking teams, bike teams, cart teams things like that. So we would have equipment rates that would coincide with the off-duty personnel rates.

Mayor Lane: And there's, and you were mentioning some change in ordinance which apparently

would coincide with this, that would potentially require rather than having the normal response time to an event from our fire stations as they are situated throughout the city. We would be dedicating equipment and personnel to a site where we have not done it before and, of course, then also adding, substantially.....it hasn't been quantified. I'm not sure exactly how much this would add to a bill on the basis of a new ordinance that might require them now to have it on site, where we haven't had that requirement or we provided it just as an added measure of, I guess, of safety or of service. I would ask you, with that particular one where we had the hot run or whatever, however it's referred to in the hottest day of the year or supposed to be, how many incidents did they have, that they attended to?

[Time: 02:04:52]

Chief Shannon: I can get you that information specifically, but I believe we had about a half dozen to a dozen patients at that event. We took a significant number of preventative members in terms of hydration and cooling stations. It depends on the event. To your point, the whole intent of, and by the way, you have not had an ordinance offered to you at this point. We have not provided even the draft version of that to the City Manager for his review. So this is in an effort to anticipate something coming forward.

Mayor Lane: What if someone requested this, at this point in time, without the ordinance that you are referring to, it would seem to me that if I had an event at the airport, and it was something that was contemplated and potentially cause an emergency situation to develop. I might request that. Right now, I could request that and it wouldn't cost the event a dime. But, but with whatever rate these are, right now they are only talking about paying off-duty officers which would not be on their standard salary and would not be calculated in the benefits or the pensions or otherwise. This is entirely paid, my event, it would be paid through my event. And the city equipment now would be contributed to meet that mission.

Chief Shannon: Mr. Mayor, members of Council, you are correct. It's kind of a mix of conversation here. What we are trying to do is avoid using on-duty resources for mass gathering events. What that does is detract from the citizens' service delivery. We dedicate current resources to the Waste Management Open and to Barrett Jackson and all of these marquee events. Those are budgeted and we have a reimbursement relationship with those promoters at this time. Not every event has a reimbursement relationship. And so what we are looking to do is establish policy that at a certain threshold, and at a certain event type, we would have an ordinance in place that you are obligated to have E.M.S. services. The, and we have established an off-duty rate that is for you that has zero impact in citizen service delivery.

Mayor Lane: You know this touches upon an area of some sensitivity to the fact that we're the only provider of it, and then we write an ordinance that requires that you buy our services. Without having an idea as to what we would even determine that we would have to do and who would make the determination, you know, they could, we could come say they will have 30 firefighters or something like this. We have had a little bit of this issue when we determined and frankly, it's into the monopoly and some of the constitutional issues of requiring a citizen to pay for city services under

an ordinance that says you've got to have this. And I realize we are talking about special events and that may or may not be citizens per say. But nonetheless to extract the additional costs. I'm only concerned about whether we deal with this right now as a preemptive measure or we come forward with a suggestion and we discuss the entire thing as to how the city, the equipment and the individuals are compensated and how any given needs to have our services. If they ask, that's one thing. But if we have an ordinance that requires, now we say we have a captive audience. And it does cause us a little bit of difficulty in a city that wants to attract certain events. If we start getting owners, and I'm not suggesting Chief, that you would, but it could get into a point of, oh, hey, we need some additional revenues on equipment otherwise that we might end up, or frankly that we needed some overtime or off duty time for folks.

[Time: 02:09:05]

Chief Shannon: A couple of points of clarification. First of all, the timing of rates and fees requires that we come forward with the proposed recommended changes and you obviously have not had the benefit of having this discussion about any proposed ordinance. What we are absolutely not trying to do is establish a policy wherein in a vendor has no choice. As you realize, we have a relationship with a contract transportation provider who is our partner in providing of services. The fire department is the direct care provider throughout the city of E.M.S. services and primarily this is an E.M.S. services but it could apply to firefighting services or hazardous materials response services. The current baseball events is a an example where we have a collaborative and professional medical transport is working side by side with us and any proposed ordinance language would include Rural Metro and P.M.T. in that same matrix.

Right now a vendor may say I'm interested in having an event and having an E.M.S. provider there and they are completely disconnected from the system and quite honestly at WestWorld, where we see that the most, we will get 911 calls to WestWorld, and walk into a variety of scenarios with zero medical direction and zero knowledge of the care that has been provided. I can assure you that any ordinance that would come forward, we would look for your guidance in establishing a very fair and very reasonable approach to delivering services. This is not an attempt to generate revenue. This is an attempt to assure that the direct providers of care, the fire department are in sync with the vendor who is offering the entertainment.

Mayor Lane: You know, I'm not at odds with the general overall concept of the idea, what you are trying to do here to enhance safety, but I am concerned about how it fetters down and how it's structured. I notice we don't have any estimates of revenue stream in this category and I'm only presuming that, I'm presuming that's because none of this could actually be forecasted or at least a lot of it can't be forecasted.

Chief Shannon: Mayor, members of the Council, we can tell you what we have been doing and absorbing the costs, and part of our motivation is to get language in place in the form of an ordinance that would follow this evening's rates and fees conversations. That would be clarify all of that, but as you know, Scottsdale is a very dynamic place that attracts many different opportunities and from event to event, we would literally have to customize our services.

Mayor Lane: Have we looked at the idea?

Jeff Nichols: Mr. Mayor, I would also like to say that the reason you don't see any rates, it would be paid directly to the firefighter or the E.M.S. person providing the services. Just like the police department. So vendor would be playing them and issuing them a 1099. We wouldn't see any increased revenue to that.

Mayor Lane: Does that apply to each of the major bullet points under fire department?

Chief Shannon: No. No, sir. Mayor, members the Council, the first aid and C.P.R. Really, we are talking about prevention services, inspectors, things like that, that are not part of our typical workweek or part of our current order of business. This is for those things that occur that really are best suited in an off-duty situation and have no relationship to impacting city services on a daily basis.

[Time: 02:12:58]

Mayor Lane: If I might, just to, just a little follow on this, have we looked at and calculated whether or not what you were, what we are providing right now, and absorbing the cost of, is there a tradeoff here between overtime and strictly off-duty personnel?

Chief Shannon: Mr. Mayor, could you clarify specifically what you mean?

Mayor Lane: Well, I'm thinking right now since we are absorbing this cost with city equipment and city personnel, there's no, I have no indication right now as to whether that is off duty, non-overtime personnel or whether this is, what I'm guessing is strictly off-duty people who are not coming through the payroll system. They are paid for by the vendor and therefore they are not subject to overtime. Have we looked at what, you know, what this might actually serve to improve the situation beyond just some recovery of these costs?

Chief Shannon: Mr. Mayor, and members of the Council, I can tell you that in all circumstances now, when we provide additional services, i.e., we do not send a fire department from fire station, that is an overtime scenario. That's a very costly way to deliver the services.

Mayor Lane: And that's exactly the point I'm making, Chief. This would not be an overtime situation, since it's strictly off duty even though they may have worked over 40 hours.

Chief Shannon: That's correct. That's the benefit of the consideration of this and any potential consideration of an ordinance to come. The reality is that when we spend dollars in overtime, it goes directly against the overtime budget that we have to put firefighters on fire trucks.

Mayor Lane: Yeah, and I understand. So those absorbed costs you are talking about include overtime in most instances.

Chief Shannon: Yes, sir.

Mayor Lane: Thank you. I will drop back to my only other concern is sort of the coordination of how these services would be, that I should say vendors or event producers would be compelled to use these services and then, of course, paying them from us. So that's my concern. Thank you. I hope that was useful and as far as just from a standpoint of the concern ultimately. Pardon me for pointing like that, Chief but ultimately to that ordinance. Okay. I'm sorry, Mr. Nichols if you want to go ahead and proceed.

[Time: 02:15:43]

Jeff Nichols: That is, here's the slight adjustment being requested by the police department. Again, these are off duty pays. So these are pays where the vendor is paying directly to the employee. Issuing the employee a 1099. What the police department is requesting is an adjustment of \$10. If that service that's being requested by the vendor is on one of our city recognized holidays, not all of them, just certain holidays. And then the off-duty incentive pay he's talking about, sometimes we have vendors that request an amount of time that the officers really don't see the value in volunteering for that and so what he's trying to do is bump up that remuneration to the officers to get the interested officers to volunteer for what is now not a very desirable off duty job to take.

Mayor Lane: Mr. Nichols, if I might add, this is a \$10 increase. What does it take it to in both instances?

Jeff Nichols: That's correct.

Mayor Lane: No, I'm sorry. What is the total that it takes it to in both instances?

Jeff Nichols: I don't have the direct rates to me right now for an officer. It all depends on what category, whether they are, here. 5141. I have just been given a number.

Mayor Lane: Takes it to it. Okay. Thank you. Oh, I'm sorry. No, I didn't, yeah.
Councilwoman Milhaven.

[Time: 02:17:15]

Councilwoman Milhaven: I'm curious, why is it our business what our employees get paid when they are not working for us?

Jeff Nichols: Mr. Mayor, Councilwoman Milhaven, that's a very good question. I mean, in a free market society, you would think that it would work itself out and the vendor would be willing to pay whatever value he thought he got in that service. I would say just, and I will let the Chief speak to this, however, you are dealing with someone who has the ability to take away your constitutional rights if they so choose but, Chief, if you want to take a stab.

Police Chief Alan Rodbell: Mayor, members of the Council, Councilwoman Milhaven, we regulate our officers off-duty in uniform representing the city. And that's the only time we regulate how much they earn. They could teach at a junior college at any rate that they can negotiate but when they are representing the City of Scottsdale in a uniform, we regulate that price. We regulate it 10% above top officer pay. We had some troubles in the past trying to get volunteers to work with short notice or for short duration or on a holiday and the vendors have offered to pay more, but our policy doesn't allow that. If we order an offer to fulfill a request, we end up paying an overtime rate and so we do regulate how much our officers make based on a formula because they are representing the City of Scottsdale in our uniform, doing police work and security work.

[Time: 02:19:11]

Councilwoman Milhaven: So, we are not supervising them in this case?

Chief Rodbell: Actually, if they hire a certain number of employees, they are also required to hire a supervisor.

Councilwoman Milhaven: So I still don't understand why we should set the rate. I'm sorry to interrupt you. Maybe I can clarify a little bit more.

Chief Rodbell: We regulate off duty work in uniform in our city. If you would suggest that we go into negotiations with each vendor that wanted to hire an officer or allow the officers to negotiate their own, take our equipment and go work somewhere and we require them to pay a waiver fee for insurance. If you would allow that, then we would have no control over our personnel work, using our equipment in whatever capacity they deem fit. It's much better for us to regulate our employees when they represent our city and we believe our rates are very competitive with what other cities do, and it makes much more sense for us to handle it this way. We have had employees in the past, long before I got here, we had employees who worked part-time jobs and did not go through the formality of paying taxes and making the right decisions and so we found that we needed to start regulating that and we have been regulating it long before I got here. We have been doing it in the past. This is the best way to have our employees recommend our city.

Councilwoman Milhaven: I take issue, but okay, thank you.

Mayor Lane: Chief, if I might, it was one of the issues that I was just bringing one Chief Shannon as well. It was something that I objected to the ordinance that required our vendors and operations here in the city under certain ordinances to use at your discretion, I understand, but nevertheless to use almost exclusively Scottsdale police officers. And what I see right now is we have a captive market, which we would have with the fire department too and this is, but frankly, by design almost, unless they go into competition with the ambulance services for the kinds of things they may provide, but the fact that we have, we can, we can demand or require that they use our police officers and maybe it's even to the point of incentivizing them by \$10 more an hour, versus anybody else, whether it's MCSO or other municipal police officers. So we have created an environment where now we are increasing that cost and we still are holding our vendors and businesses under certain ordinances

to utilize these services only. So that's part of my concern with the other ordinances as well, when it comes into play, but that's my only concern here. But since we have that ordinance, I can see that we are going to have to continue to click it up in order to make sure that they are motivated to fill the ranks when we want them to be there.

Chief Rodbell: Mayor and members of Council, we don't necessarily require anyone to hire Scottsdale police officers. I think the only time we will require them to look at Scottsdale officers is under the public safety ordinance that was just passed, you know, and city property.

Mayor Lane: Chief, we changed the entire section to include all applications. We didn't just do it on the public safety ordinance because we found that that was going to be more of a challengeable item if we did it under just one ordinance. So the entire section and Mr. Washburn, maybe you can confirm that one way or another, the entire section was changed.

City Attorney Bruce Washburn: That's correct.

Chief Rodbell: We need to talk about that.

Mayor Lane: I wanted to make that observation but we do have another comment or a question from Councilman Littlefield.

[Time: 02:23:17]

Councilman Littlefield: Well, I don't know how we got off on that, but, you know, I'm fine with requiring events in Scottsdale to use Scottsdale police and fire and I think we want law enforcement in our community to be done by our cops not by somebody who is cheaper. I saw one time somebody hired game and fish officers because they were cheaper to do their traffic control. I mean, really, game and fish? How bizarre! So I think we are doing exactly the right thing and requiring people to use Scottsdale police and fire for Scottsdale events is exactly the right thing to do.

Mayor Lane: Thank you, Councilman. No further questions of the Chief. Thank you.

Jeff Nichols: And that is the gist of the presentation, Mr. Mayor.

Mayor Lane: All right. Very good. Thank you very much. We do have one comment, a request to speak on the overall item 8 and I will go to that right at the moment and that is, and hopefully I got this right, Harry Schlegelmilch. Close enough that you were identified. Probably any kind of stumbling would have gotten me there, right, but my apologies in any case.

[Time: 02:24:40]

Harry Schlegelmilch: My name is Harry Schlegelmilch, I'm the chairman of the Parks and Recreation Commission. If you wouldn't mind putting up the slide, if possible on the Community Services fees, it might help the Council.

Mayor Lane: Slide 22.

Harry Schlegelmilch: I'm here to speak about two fees, two new fees that are being proposed by the department that we considered in a work study session, a couple of public meetings, as well as meetings that the Parks and Recreation department had with a variety of the different youth sports groups, those two fees are a \$6 out of season fee and that's where a sport plays out of their season under the policy. So baseball might be in this six-month period and if you want to play in this six-month period and in this other six-month period, you have to pay an additional fee. In addition to having a lower priority for field space, in that off-season, the other fee is a lighting fee, which we have never charged. It's a new fee.

Both fees are going to add a fair amount to our youth sports groups and we considered them, as I said, from a variety of meetings and we thought it was important at least to get in front of the Councilmembers to make sure that you understood that youth sports was an area that we really needed to consider when we are looking at fees and not be trying to balance budget on our youth sports groups. They provide a very valuable service for the city, for the use of the city. These are not services that the city itself is providing. These groups are out there really looking to make a difference for these kids. So we wanted to make sure that you understood that, that we did consider it fully with all of these groups. We had no support for any of these fees. Well, you might say, well, of course, they won't support the increase of their fees. Not necessarily true.

We were talking about putting on a \$3 fee for the youth sports fees that are out there, and they stepped forward and they said, you know, we understand that are we've got some budget issues and we've got budget constraints and we will go along with the \$3 fee. That \$3 fee still exists. Just these new fees that we are really looking at some of the numbers, especially the lighting fee and saying, this is a lot for us to really be able to handle. I would be happy to answer any questions you may have.

Mayor Lane: Thank you. Councilman Robbins.

[Time: 02:27:20]

Councilman Robbins: Thank you, Mayor. A couple of questions. One is on slide 26, I don't think we got that far. It says Community Services McDowell Mountain Ranch and it talks about new fees for Scottsdale Ranch. I was not sure who was, oh, you retitled the slide. Okay. So those are for Scottsdale Ranch and Indian School. My slide it says McDowell Mountain Ranch.

City Treasurer Jeff Nichols: Yes, we did make the correction to that. Someone had called up before the meeting and so in the materials that we sent over to Brian, it didn't indicate that it was for Scottsdale Ranch and Indian School Park in the title of this slide, but it was for that. It was referencing a McDowell Mountain Park.

Councilman Robbins: These are new fees, they are not currently charged for tennis?

Community Services Executive Director Bill Murphy: These are new fees that would go into effect for the tennis centers.

Councilman Robbins: Do they go to the desk and pay before they use or how are those administered?

Bill Murphy: Right now, someone would come to the park to provide themselves to use the court for an hour, an hour and a half up front and then they would pay that fee up front.

Councilman Robbins: And then if you can go to slide 28, and this is what Harry was talking about from the Parks and Recs Commission. I met with some people from the north Scottsdale Little League and another gentleman from the Scottsdale Little League district that handles all of them and their little exercise in this. As Harry mentioned we instituted a \$3 fee a couple of years ago. They were happy to pay that. But it goes from \$3 to \$13.50 so a pretty big increase and they are, you know, it's tough for them to pay and it's an all-volunteer league and it harms their ability to bring tournaments here to Scottsdale because they have to raise the money. And so I would move that we not increase the fees for the youth sports. I think that's not a good thing for our community and it would be really hurtful for Little League in Scottsdale. We increased this fee from \$0 to \$3 a couple of years ago and now this is a huge increase. Those are my comments, Mayor.

[Time: 02:30:07]

Mayor Lane: Thank you, Councilman. I'm just looking at what we've got here, possible direction and I don't exactly know how we might, as we move through this, as to how we should, either by consensus or by vote indicate whether or not that's something that's shared by the rest of the Council.

Councilman Robbins: Well, I will make a motion and we will find out where it goes.

Mayor Lane: Okay.

Councilman Robbins: That the city accept the proposed fiscal 2014/15 rates and fees in Council number 8, except for the youth sports field fees.

Mayor Lane: I will second that. Is there any, I'm sorry. Mr. Washburn?

[Time: 02:31:01]

City Attorney Bruce Washburn: Thank you, Mayor. I just wanted to make it clear that since this is only direction to staff that while, I think it's perfectly proper to make this motion, so that the direction to staff is perfectly clear, it still has to be brought back to Council for final action and the Council still has liberty to change.

Mayor Lane: So is the wording of Councilman Robbins' motion, is it sufficient to do the guidance or

at least indication versus a vote to make a change right now?

Bruce Washburn: Yes, I think it's perfectly proper, as long as we all have the understanding that this is not the final binding action because it's not agendized for final binding action. The matter will be brought back to the Council and the Council will make its final determination at that time.

Mayor Lane: We might just add that this is a guidance to Council, or to staff to make that change. And I did second that on the same basis. I don't know if there's any further comment on that or just handle these as they come up.

Vice Mayor Korte: I'm confused what we are voting on.

Mayor Lane: We are basically giving direction to staff to amend the fee increases for youth sports as was mentioned by Council Robbins.

[Time: 02:32:23]

Vice Mayor Korte: And that is no increase for those youth sports?

Mayor Lane: No increase for the youth sports. Okay. Then without any further comment, then I think we are ready to vote. Those in favor, vote with an aye and those opposed nay. Motion passes as a guidance issue to staff, 4-3, with Councilwoman Milhaven, Councilwoman Klapp and Councilwoman Korte opposing. So that does handle that one issue. I would suggest to the rest of Council if there are items that they would like to give specific guidance that we would want to make sure that we have some determination by the full Council that they might offer those up right now.

The increase in the, I'm sorry, in the off-duty rates for the police department and police on the off-duty holiday pay and the off-duty incentive pay, the increase of \$10, since this is not something that affects the city, whatsoever and it is a matter of some market determination and realizing too that as far as the market is concerned in the off-duty time, it is already, I think one of the highest rates in the valley. I think I would make a motion that we consider staff to amend that to more than a \$5 increase. And that's dependent upon a second and if I have none, Councilwoman Milhaven.

[Time: 02:34:11]

Councilwoman Milhaven: What I heard the police chief say he was trying to address, occasions when there are insufficient officers to work the shift and the vendor is willing to pay more. What I would like to suggest in the alternative is to take off any restriction on what a vendor could pay and so they need not pay it, but if they want to, they may.

Mayor Lane: If I might just address that Councilwoman, the only problem we have with that is we have a requirement that they use Scottsdale police officers in a number of instances. So there is no market out there as far as that goes. Whatever we say they are charged they charge, unless the Chief of Police who has discretion not, if he doesn't have personnel, it opens it up to the marketplace. I

would just say if, in fact, there are no willing, you know, off-duty officers it does go back to the marketplace because the chief could have no other alternative than to allow others to supply that.

Councilwoman Milhaven: So then that would suggest that we don't need to have this incentive at all?

Mayor Lane: Well, and that may be. Maybe I'm trying to split the baby here.

[Time: 02:35:26]

Councilwoman Milhaven: I go back to my original premise where if folks want to work for a fee and somebody wants to pay them off duty, we can still have the same controls, what rate they pay I think should be between the officer and the person hiring them. I don't think we should legislate this, particularly when we say they must hire Scottsdale officers.

Mayor Lane: It's at the, well, I will add one final thing to it, and that is, I suppose, I would even say if we don't have any increase, right now it's my understanding is it's the highest rate in the valley right now and if, in fact, there's no willing participants in it, then the Chief of Police does open it up to the marketplace. That's the only avenue we have right now in order to address that issue of trying to, I presume get some fairness as to who applies to this.

Councilwoman Milhaven: So Mayor, you're saying no increase.

Mayor Lane: I would be fine with that.

Councilwoman Milhaven: I will second that.

Mayor Lane: And I think you have already spoken to it. Yes, Councilman Robbins.

Councilman Robbins: So then can we also, can we ask staff to come back with what the market rate is for that? I have no idea, I don't know what the market is.

Mayor Lane: That's not a bad idea. Yeah. In fact, as part of that guidance, let's go ahead and, if it's alright with the second, I will add that to it, let's take a look at that and then reconsider this. And that's the second is okay with that? Okay.

Councilwoman Milhaven: Yeah.

Mayor Lane: All right, Councilman Phillips.

[Time: 02:37:08]

Councilmember Phillips: Is this a new thing that we will vote on the staff guidance?

Mayor Lane: That's the nature of this issue. This item calls for staff guidance to actually bring it back to us in final form.

Councilmember Phillips: This is what they all call for. We took one vote and now we're going to take another one. Maybe I can bring up another issue.

Mayor Lane: That's what I mentioned before. As we go along, whatever it is you choose to amend or adjust, please just feel free but we are taking one item at a time. There's no further question on that, then are we ready to vote on that. All those in favor of the motion, please vote aye. Those opposed with a no. The motion passes as a guidance to look at the average rates as well as to look at whether this increase is consistent with that need and it passes 4-3 with Councilman Littlefield and Vice Mayor Korte and Councilman Phillips opposing. Now, Councilman Phillips is there something you would like to bring forward for issue.

Councilmember Phillips: I had a guidance issue earlier as far as to look over the fees for the Community Services go. I didn't want to vote on it. I mean they will take that into consideration and will come back.

Mayor Lane: Well, this is our opportunity to discuss it. It will come back to us and we will be voting on it. But if you wanted to make a change to something you see here right now, I would suggest that you specifically know what it is you are, what you are concerned with.

Councilmember Phillips: I will do it when they come back, thank you.

Mayor Lane: All right. Well, then if that's the case, I think then we have finished with the guidance for the ultimate product that will come back to us. And I want to thank everyone who made the presentations. Thank you very much. And for the input from our commissioner. So that, we don't have any further public comment issues. We have no petition items. Okay. And Councilman Littlefield?

[Time: 02:39:27]

Councilman Littlefield: I suggest we take this opportunity to have that moment of silence for the police officers who were shot yesterday, that we didn't get a chance to do earlier.

Councilmember Phillips: I will second that.

Mayor Lane: I think that's fine. Yeah. So if we ask everyone to at least take a moment here of silence and remember the police officer, who was shot and most notably the one that was killed. Thank you very much and thank you, Councilman. Oh, I'm sorry. Do we have any further comment? Councilwoman Klapp?

Councilwoman Klapp: I just want to thank the two of you for sitting through the meeting tonight. I hope you learned something.

Mayor Lane: Hey, you earned that badge!

Councilwoman Klapp: You did.

ADJOURNMENT

[Time: 02:40:23]

Mayor Lane: Anyway, I will accept a motion to adjourn. All of those in favor, please indicate by aye. Thank you very much, everyone. Thank you, gentlemen.