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CALL TO ORDER

[Time: 00:00:01]

Mayor Lane: Good afternoon, everyone. Nice to have you here. I want to call to order our November 6th, 2017, city council work study session, and we'll start with the roll call, please.

ROLL CALL

[Time: 00:00:10]

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

City Clerk Carolyn Jagger: Vice Mayor Virginia Korte.

Vice Mayor Korte: Here.

City Clerk Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

City Clerk Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

City Clerk Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

City Clerk Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

City Clerk Carolyn Jagger: David Smith.

Councilman Smith: Present.

City Clerk Carolyn Jagger: City Manager Jim Thompson.

City Manager Jim Thompson: Here.

City Clerk Carolyn Jagger: City Attorney Bruce Washburn.

City Attorney Bruce Washburn: Here.

City Clerk Carolyn Jagger: City Treasurer Jeff Nichols.

City Treasurer Jeff Nichols: Here.

City Clerk Carolyn Jagger: And the Clerk is present.

MAYOR'S REPORT

[Time: 00:00:35]

Mayor Lane: Thank you. Just one item that I would like to mention, even though this is a work study, we will handle it in a similar fashion as the regular council meetings.

I would like everyone to take a moment for thoughts and prayers for the victims and family members of shooting at the First Baptist Church in Sutherland Springs, Texas. So if we would, a moment of silence, please.

[Moment of silence]

Thank you.

Well, one distinguishing factor on a work study is something I would like to always go over because there are particular differences between them. So I will just go through some normal guidelines that we have and I may expand upon that a little bit later on, but nevertheless, work study provides a less formal atmosphere for -- for the mayor and the council to discuss specific topics at length with each other and with city staff.

Work study sessions provide an opportunity for staff to receive direction from the council, and for the public to observe these discussions. And we do allow for a certain amount of public comment, but it is limited to five individuals, at three minutes each. And it's a one-time occurrence and we do that specifically because the principal reason we are here. We are not making decisions on anything, but it's a matter of what direction we will take or not take, or give to staff as to how we will proceed or not to proceed. So it's important that we set aside as much time as possible, to make sure that we are able to communicate our thoughts back and forth, finding things out from them and they will be making a presentation, a rather substantial one, I might say, today.

They will be -- well, I will mention this in just a little bit. We do have -- well, I will say it right now. The idea here today is really is to report back on the items we had in the initial work study weeks ago. These are reports that the staff will bring back to us, reporting back on specific elements of inquiry on either the proposal or on methods that we may or may not move forward and how we might proceed. Those items will be cost and the building of land, maintenance and operational cost, the business plan, funding sources, and ballot language. And they will be going through those, and, of course, it will ensue a good deal of conversation, I'm certain, by my council colleagues and myself on all of those items.

PUBLIC COMMENT

[Time: 00:03:28]

Mayor Lane: So our first order of business is for public comment. And as I said we have a total of 15 minutes that can be shared by five individuals, three minutes each. And so we have -- and, of course, a maximum of five and we do have the five here in my hands. So let me go ahead and begin with this and in case of a work study, we take these comments first, and then we have no further comments beyond that.

But we'll start with Melinda Gulick.

[Time: 00:04:07]

Melinda Gulick: Good afternoon, mayor and members of council. I'm Melinda Guilick, a longtime advocate for the Desert Edge and a former board member for the conservancy. In all the noise about the project, which by the way is not about architecture, the experience, the mission, or the exhibits, I want to bring a few things to the forefront. We have planned for a nature education center at the

gateway, for over 20 years. There is an approved MUSP plan with a more modest center that includes all the uses being opposed, a large cafe -- being proposed, a large cafe, a gift shop and evening program.

The long-planned visitor attraction is one of Experience Scottsdale's three pillars for success. In addition, the Scottsdale Coalition of today and tomorrow encouraged civil discourse also encouraged moving forward with the project. The Scottsdale Association of Realtors supported the project by saying that national and local research shows home values within proximity, one mile or less of urban interpretive center tend to be higher in value and are not negatively impacted by the centers and studies show quality, unique, cultural, education driven, high level research, experienced facilities are proven key identifiers of a healthy, regional economy, which sustains vibrant communities for living and working.

This summer the Desert Edge conducted a survey of those who voted in three of the last four elections. It was paid for personally by advocates of Desert Edge 60% were in favor of Desert Edge and after learning about the concept, 62% were in favor. There are other polls, unreliable push button polls and Survey Monkeys who came to different conclusions. What cannot be disputed. The Desert Discovery Center, now called the Desert Edge was contemplated at the gateway before the gateway as purchased for the McDowell Sonoran Preserve.

You get to decide whether you want to give future generations a place to learn about the Sonoran desert and the science behind why it's so magnificent. You can support the Desert Edge, bringing to life the Sonoran desert for our residents and visitors and making the Preserve and our Sonoran desert accessible to everyone. You can fulfill the ultimate vision for the Preserve, and you will give our children and grandchildren a place to celebrate this glorious place we call home. Please move forward with the project. Thank you.

[Time: 00:07:18]

Mayor Lane: Thank you, Ms. Guilick. Next will be Solange Whitehead.

Solange Whitehead: Thank you, Mayor and City Council. I also -- my name is Solange Whitehead and I served as a Preserve commissioner, in fact with Melinda.

I read this morning that there are seven of you and 14 different opinions. So I want to tell you that your community is not nearly as divided. And despite the poll that you just heard, I spent two years talking with people from north to south in the city, and there have been a number of polls of varying degrees of -- varying sizes and overwhelmingly this community, unlike the city council is united. We're united not in support or in opposition to this plan. We are united in the belief that five times we raised our taxes to buy and Preserve this land.

Every major decision regarding this Preserve has gone to the voters. That's basic democracy. That's city protocol. This community is united in asking for a public vote. If, in fact, this project is going to be world renowned, the voters will pass it. We passed the Preserve.

And in addition, we have all the things already that Melinda is proposing we will get with \$62 million invested. We have access for anybody to go and see and feel and smell and enjoy the Preserve. And we have interpretive centers. They are called the trailheads.

So my question is: If you can't agree on anything, if there's 14 opinions between seven of you, why don't you agree to pause? Clearly, if you have a united community in opposition to this proposal, it's flawed. If you yourselves can't even agree, it's time to go back to the drawing board. There's so many things we can do with a Desert Edge outside of the Preserve. There's so many things we can do with \$62 million. Now, \$68 million. There's so many proposals right now that Scottsdale as before them. We don't have unlimited money. Invest in our downtown.

Leave the Preserve alone for now, while you go back to the drawing board. The Preserve is the goose that lays many golden eggs every day. It is bringing us tourists. People love it! We haven't completed the Preserve. So just pause on this project. Go back to the drawing board, and find out just why the community is so united in opposition to this proposal without a public vote. Thank you.

[Time: 00:10:33]

Mayor Lane: Thank you, Ms. Whitehead. Next is Mr. Jason Alexander.

Jason Alexander: Jason Alexander, 9976 East Jasmine Drive and I represent the No DDC organization. Yesterday we filed a complaint with the I.R.S. proving that DDCSI and their predecessor group, Desert Discovery Center advocates have engaged in a substantial, direct lobbying of city council and city employees and substantial grass roots lobbying within the community. This violates their tax exemption under Section 501(c)(3) of the Internal Revenue Code. This was a systemic methodical pattern of illegal activity. It's illegal for a tax exempt organization to do this type of activity.

We had a 35-year tax attorney prepare our complaint. It's 37 pages long -- excuse me, 8 pages long and 37 pages of exhibits and you can download it at this link here. Please take the time to read it! It's very straightforward. It's not the easiest thing in the world to read and it's very straightforward. We show you step by step, exhibit by exhibit email by email how Sam Campana and DDC broke the law over and over in an effort to lobby city council, the city staff and the public.

Right here is their I.R.S. form, 1023 asking for tax exempt status. Are you a successor to another organization. They said no. Clearly that's not the case. Did you attempt to influence legislation? They said no. Again, clearly that is not the case. Here is DDCSI's I.R.S. form 990, asking for tax exempt clarification. Did you engage in lobbying activities? They said no.

Now, finally, I have a picture, and a picture tells a thousand words. This is a picture of DDCSI's director of development, Randy Shilling, from last September's work study, standing right there in the Kiva. He gets paid \$100 an hour and's holding up a sign saying "support Desert Edge." I don't mean this as a personal attack on Mr. Shilling, but this is illegal. Plain and simple. This is a violation of internal revenue service code.

Hundreds of thousands of dollars that should have been declared in taxes were not. So what are the consequences? We think when the I.R.S. reviews our complaint, we expect they will reject DDI's tax exempt status. They have may have five figure in fines that may bankrupt them. And most importantly, you all, on city council, must answer to an angry public that has been lied to and deceived about an open, transparent process to spend 68 million in new tax collections. It was not open. It was not transparent this was lobbying. We believe that this is a kill shot for the DDCSI. We are stating facts --

Mayor Lane: Mr. Alexander, your time has expired.

Jason Alexander: Thank you, Mr. Lane. We are stating facts with attorneys in a civil manner, using the law of the land to be heard.

[Time: 00:14:22]

Mayor Lane: I understand. Mr. Washburn, I guess I would ask for a little bit of a reading on this. This is a work study. Is this lawsuit something we should be talking about this in forum?

City Attorney Bruce Washburn: I'm not sure in what context the council would be discussing the lawsuit. I can't 100% say no, there's no way to talk about it. My initial reaction is it probably would not be within the purview of the council's discussion.

Mayor Lane: Thank you.

[Off microphone comment]

Mayor Lane: Either case, a legal action of some sort, I suppose. Thank you, Mr. Alexander. I was just trying to get clarity on that as well.

So Mr. Mark Hiegel.

[Time: 00:15:11]

Mark Hiegel: Thank you, Mayor and City Councilmembers. I believe the Desert Edge is about Scottsdale's future. It's visionary. We, the supporters of Desert Edge have a great love for all that makes Scottsdale great, the history of arts, the western heritage, amazing events, our community amenities.

What will we be known for in the future? How will we demonstrate our values of environmental stewardship and preservation? How will we model caring for the Preserve and the Sonoran desert to future generations? The Desert Edge will bring that to us in Scottsdale and we will all share in it. It can become our legacy, a legacy we can share with the world. A legacy that I would like to be part of.

I would like to make a couple of quick points. The Desert Edge is within keeping Scottsdale's reputation for creativity and innovation. Historic civil leadership brought us the Indian Bend Wash, WestWorld, TPC, Major League Baseball, Museum of Contemporary Art, and most recently the Museum of the West. Many other of these amenities have driven what makes Scottsdale so separate from the rest of the world. The Desert Edge continues that reputation.

Amending the Preserve ballot language for use of the tax for operations and maintenance is a good and responsible use of our tax dollars. The 2004 ballot language allows for and was contemplated for capital construction of the Desert Edge. Allocate the capital needs for the Desert Edge and use the balance for operations and maintenance.

The business community and tourism community support Desert Edge. That's tens of thousands of people and tens of thousands of employers. We believe that this can become a major destination for our city, the state, and the world. I know today that many people do not agree with me here, but listening to each other is how we learn and how we move forward. I'm here to ask again for your support to move this project forward. Thank you for your time.

[Time: 00:17:39]

Mayor Lane: Thank you, Mr. Hiegel. Next will be Steve Tyrrell.

Steve Tyrrell: Thank you, I'm Steve Tyrrell, Scottsdale resident and voter. I communicated to you, either on phone, in person, or email, my opposition to this project. I think it violates both the intent and the spirit of all the preservation efforts we have made on this land. I have been here since the early '80s and I didn't vote to have anything developed on that land, pure and simple, and I can't think of any other way to tell you that, other than as directly as I stated it. I think you find yourself in a little bit of a pickle here tonight between the developers and their money on one hand and the citizens and their votes on the other. I will get back to that in a minute.

You know when Winfield Scott came here after the Civil War, he settled here and the town bears his name. E.O. Brown came here a number of years later and Brown Avenue wears his name. But they knew one thing and they did one thing that I hope you take advantage of. They canvassed every single person in town about issues, whether it was where to plant the citrus or the Cotton or put the school or the volunteer fire department. They did it on multiple occasions even on the same issue because they knew you can never go wrong when you canvass the public for their opinion and get their consent on something. That actually doesn't usurp any power or authority of a board like this. It actually solidifies it, knowing that you have the strength to ask people for their opinion and their point of view, and then adhere to it, it's one of the strengths of Scottsdale and it's one of the strengths of democracy.

So when we find yourself in the pickle that I mentioned a bit, you would think that the developers on one hand want something different than the citizens do. Actually, we want the same thing. All we want is clarity. Clarity so developers know what is and can't be developed and certainly for residents that what we vote to Preserve is going to be preserved.

So I encourage you to find the appropriate language to put this to the vote of folks. Allow it so that it's clear, not just allow for this one now, and maybe develop something in the future or not develop something. Let's have language that allows us to vote clearly. Do we want to change the focus of how we preserve that land or not? I think that you will get a clear and resounding effort that you can rely on. So as I say, I'm in opposition to this. I hope that you don't allow this to go forward until it's canvassed of the public, because as Scott and Brown knew, you can never go wrong asking the public for their opinion on something that you are about to do. Thank you very much. We'll talk to you again next time.

Mayor Lane: Thank you, Mr. Tyrrell. That completes the public comment this evening.

ITEM 1 – DESERT DISCOVERY CENTER (AKA DESERT EDGE) WORK STUDY SESSION FOLLOW UP

[Time: 00:20:52]

Mayor Lane: And we'll move on to our one and only item on tonight's work study agenda and that's the Desert Discovery Center, a/k/a Desert Edge, the work study session and follow-up. We'll start with Mr. Thompson, our city manager, has indicated we have Kroy or -- oh, you disappeared from over there. Very good. All right. We're all set to go, Jim.

City Manager Jim Thompson: Can you hear? It's on. I just got to get it closer. Okay.

Tonight, we broke the presentation into four sections. The first section is construction costs. The second operating costs. The third funding sources, and then the fourth is ballot language. What we would ask the Mayor and Council to do is allow us to present each of the sections and at the conclusion of that section, take time for questions and answers associated with that section.

I will have various staff members to present various sections. I have think so noted, Dan Worth our public works director will be first up and then we will have groups associated with section two and three and then city attorney Washburn will be joining us for item four.

So if you don't mind, we would like to proceed into Section one on construction costs and walk through all the questions that council originally had and clarifying points associated with the documents that were submitted to us.

Mayor Lane: Very good. Thank you, Mr. Thompson.

[Time: 00:22:48]

Public Works Director Dan Worth: Good evening, Mayor and Council. When we met about six weeks ago and I received a presentation on the Desert Edge proposal, we had an architectural plan and a cost estimate for a project that was about \$61.2 million, one of the things you directed us to at that point in time was to come back with our opinion and what the project costs would be. The short

answer -- and I'm going to give you some in-depth explanation, but if we were to take the same project, the same concept, the same proposal that was in that architectural plan that you have been presented and estimate it the way that we estimate our capital projects, as if we were making it as a proposal to go into our C.I.P., it would be a \$68.4 million project. You see the two numbers, \$61 million and \$68 million. I will tell you where the bigger differences that are act for that.

Before I get into that, I need to explain just a little bit about how DDCS, cost of the project, how they estimated it and this is sound. I think one of the things I found when I compared their costs with ours, for the most part, it was just different assumptions, different opinions on some items. It's a sound process that they use.

They took direct construction costs and that's costs for the buildings and for exhibits and they applied, as we do, some mark ups to those correct construction costs, the contractor has to make a profit. So there's a contractor feel, and contractor general conditions and cost of setting up to do business. Bonds and insurance, taxes all of that stuff gets padded on to those direct construction costs. That's one category of cost that we always add in when we estimate a project.

There's broader project costs that we added in. These are applied to not just the construction but also the design. They include fees to get city permit and city reviews on submittals. There's city project management costs. I have to pay our project manager and construction administrators and site inspectors. We allocate overhead and work order credits for other staff involved in the capital program to all of our capital projects. This would be no different and there's a 1% allocation for public art. Those are broader project costs. We have some adds to the construction costs. We have some adds to the total project costs.

And then the last thing we do, they also did, we allocate a percentage for contingency. Plans change, unforeseen circumstances. Prices are higher than we anticipate when we bid it. Lots of things can happen. We account for that with a contingency and at this early stage of the project, we usually use a pretty substantial contingency. We use 20% of the construction costs.

DDCS included all of those things but they included them using some different assumptions and some different methodology than we usually do. I think I explained at the last meeting, that our intent was to take their estimate back out, all those adjustments and direct costs and apply those markups the way we would apply them if we were estimating a project and that's exactly what we did. What we found when we -- as an example, some things are just treated differently.

They had three items that I would consider to be contingency. They had a contingency built into the construction costs. They had a project contingency and they had an escalation factor that they added to the construction costs. All of those were smaller than that 20% that I mentioned that we used, but if I backed those out, added all the design and the construction costs to go and apply our 20%, the way we normally do, we get a different number.

So we went through that exercise with all of those different additional costs and I will highlight really, I think, three areas that made the biggest difference.

One of them is the last bullet, under major differences on the slide, all of those city costs, the project management costs, allocated overhead, work order credits. We usually estimate 2% of construction costs for permits and review. Our planning department reviewing permits, permit fees, we apply 4% for the allocated overhead work order credits and another 4% for the city capital project management staff costs, direct costs. They applied smaller factors.

They took into consideration the fact that this is not going to be a normal project. They are going to spend, by their estimates somewhere in the neighborhood of \$16 million to design and construct exhibits that most likely will have very minimal capital project management oversight involved in it.

We will focus on the building. So they didn't apply as big of a factor. When you take into account the different ways that they treated those costs and the way we treat them, that accounted for the bulk of the difference. They estimated the costs at \$1.7 million, we think it's closer to \$6.2 million and I will tell you right now, that some of those assumptions they made are reasonable. They make sense.

We are probably going to spend less on capital project management overhead or direct costs and overhead. But it's too early in the project to take those savings. We want to avoid reducing costs now based on those assumptions and treat this like we would a capital project. So the \$68 million number has that full mark up for those city management costs.

Another large area of difference, construction fees. Just a different percentage. They use a 3.5% mark up for the contractor's profit. They apply that to the construction costs. We use a higher numbered 10%. We applied it to construction and exhibit -- building construction and exhibit costs. That accounts for a \$2.7 million difference. \$2.3 million difference on taxes, and I believe that may have been an oversight when you factor in the taxes that the contracts were let to pay on materials and services. It's about \$2.3 million using our estimating.

Those are the big differences. The city project management costs, the construction fee, and taxes. You add all of those up, if you are keeping score, that adds up to about a \$9.5 million which is larger than the difference between the two estimates, and that's accounted for by the fact that some of those things that they did, actually, they estimated higher than we did.

So there were areas where their numbers were higher than ours. The contingency that I mentioned to you is one of those. If you add up those three different areas where they put contingency into their numbers, it came up to \$10.7 million, we used 8.6 million, applying the 20% contingency to the total project costs. So the difference, the \$7 million is a net difference.

There is some differences that go both ways, but the net result is according to our estimating that the \$68.4 million project. There are some costs and you asked, I think about all of these, at the September meeting.

[Time: 00:30:59]

There are some costs that aren't included in either their estimate of \$61 million or our revised system for the same thing, for the project, \$68 million. You see four of them here. They included a construction cost for the off-site building. They didn't include a cost for the land to build it on. It's one of the things you directed us to look at. We estimate and this is probably conservative. They are looking for 250 parking spaces and a building.

The building is not a very large one, 5400 square feet but with circulation, landscaping around the building, making it somewhat attractive, we're estimating 5 acres. If 5 acres is the city land that we currently own north of Bell road, we did a market-based cost assessment earlier this year. That would tell us that that 5 acres of land would be worth about \$3 million.

We could use other city-owned land in the vicinity. One thing that we think might be a potential is land on south side of Bell Road, adjacent to the Reata wash channel. It could affect these costs but we think it's a good conservative number for the value and, of course, we own the land. If we use either of those options, it wouldn't be money out of our treasury into purchasing right-of-way but if you are accounting for the total cost impact for the project, you should account for the impact of the land. So \$3 million is a good conservative number for that.

What if someone else paid for the Global Dry Lands Institute building? The A.S.U. partnership, one building dedicated to, that providing support for the exhibits and providing an attraction in and of itself, but one building is dedicated to that. If you take the building construction costs and all of those design costs and all the other allocated costs, you take that buildings proportion of all of those costs, it's \$7.2 million. So if we had another funding source for that building, it would be a \$7.2 million reduction of the \$68.2 million project cost.

Another question, the proposal uses the space that's currently occupied by equestrian parking and the maintenance building. We are starting the process to develop with a consultant a concept and good cost estimate for that. We are confident that \$1 million is the high-end number. It will be less than that. But until we have something more detailed, that's the number that we need to be looking at for that potential separate but related project.

And the last item up here comes from the operating plan. They referred to a \$6.3 million cash operating reserve. I wanted to highlight that because that description, it's part of initial capital costs, if we are going to build the project and put it into operation. They need to have their operating reserve on hand, cash on hand when we open. I think they are being very reasonable and prudent and suggesting that. They have defined it as a capital cost but it's not included in the \$61.2 million number. It's not in their revised number. That's in addition to the project costs that I presented to you.

[Time: 00:34:48]

Mayor Lane: Excuse me, Mr. Worth. When you say it's not included in the \$61.3 million, their estimate of costs, the building costs, it's not included in that, as a way of part of the funding?

Public Works Director Dan Worth: All of those things that add up to the \$61.2 million, that \$6.3 million capital cost is not one of them. So their capital costs would be the \$61.2 million project, plus the \$6.3 million operating reserve.

Mayor Lane: Okay. Where does the \$6.3 million, where is that coming from?

Public Works Director Dan Worth: Their report said that that would be their fund-raising. They intend to raise that money. That would not be a city ask.

Mayor Lane: But it was not intended to pay for any of the capital building costs?

Public Works Director Dan Worth: Correct.

Mayor Lane: So is it then -- if I were to go down this list that we have on this page on the other impacts, starting with 68-point, actually.

Public Works Director Dan Worth: \$68.4M.

Mayor Lane: And then adding \$3 million for the land, adding 1 million for the relocating of the maintenance facility. And now if I understand you correctly, adding \$6.3 million for this now operating reserve? Is that -- that.

Public Works Director Dan Worth: That's correct, Mayor. Those would be additive.

Mayor Lane: Okay. Yes, Councilman.

[Time: 00:36:30]

Councilman Smith: Let me ask this. If you are adding this all together, you will come up with a larger than capital cost of construction. That \$6.1 million was displayed as call it the endowment of the enterprise going forward and the earnings from that plowed back into the endowment. They make 5%, turn back and 3% to the operations. So it's -- it was not a construction number. It's an endowment that I did understand would be raised by private efforts. Am I misunderstanding?

Public Works Director Dan Worth: Councilman Smith, you are not misunderstanding at all. Their intent is to raise that with private efforts. I think what you just described is probably the easiest way to understand it. There's the design and construction cost for the project, the 6.1, which is at 68.4. It's represented by the reserve.

[Time: 00:37:38]

Mayor Lane: With that, just following on that for my own purposes too, then the \$6.3 million is not obviously an additional cost. And pardon me for -- I think I understood you to say, that but

nevertheless, it's not part of the capital costs of the construction.

Public Works Director Dan Worth: Correct.

Mayor Lane: But it also means what about the 3 million and the 1 million?

Public Works Director Dan Worth: Those are not included. They are not included in the \$68.3 million.

Mayor Lane: We understand they will raise the \$6.3 million but where does the \$3 million and the \$1 million come from?

Public Works Director Dan Worth: The \$3 million if we use city land.

Mayor Lane: So as far as costs not necessarily to build but costs to the city, we are talking about 68 plus the 3 and the 1 and not the 6.3?

Public Works Director Dan Worth: Correct. Now the relocation of the equestrian parking, that's real money. It's not included in the Desert Edge cost.

Mayor Lane: In some of the preliminary conversations there was at least from the RFP and the original project that there would be a contribution to construction costs of about 10%. I must have been misled or misunderstood that.

Public Works Director Dan Worth: Language in the contract that we awarded a year and a half ago, had a -- it was worded in an aspirational way, DDCS will drive to raise 10% of the capital costs, something to that effect.

Mayor Lane: Capital building costs.

Public Works Director Dan Worth: It said capital costs. So it's open to interpretation.

Mayor Lane: Okay. All right. But it's fair to say the 6.4, plus the 3, plus the 1, is the kind of money that will have to be found here?

Public Works Director Dan Worth: Well, again, the three could just be an opportunity cost, if we use city land that we already own.

Mayor Lane: No, I understand. If we talk about real value and real city resources.

Public Works Director Dan Worth: It certainly would be part of the value.

Mayor Lane: Okay. Yes. Councilwoman Littlefield.

[Time: 00:39:38]

Councilmember Littlefield: Just a quick question on this. The off-site land, the 80 acres. If they place the maintenance building and all of this on the 80 makers with the additional parking facilities and equestrian parking, and they use 5 acres of that, is part of their cost to that \$3 million, would that be included the debt service on that 5 acres that the city is having to pay?

Public Works Director Dan Worth: Councilman Littlefield, their costs don't include any of that \$3 million. It's our estimate of the value of the land that would be needed to do that as an offsite, and if we were to provide, it how we account for the value of that land is up to us. We could use current market value of the land. We could use what we are paying in debt service on a per acre basis to account for that land.

Councilmember Littlefield: You said you used the land value only. So what -- how would that debt service then be accounted for on land that we no longer had the city's use of, other than for the DDC?

Public Works Director Dan Worth: That -- that number is based on a market assessment, not an appraisal but an appraisal like number of the value of land, of that size and zoning, in that area. That would be the best way -- the best way to explain it is an opportunity cost, if we were to sell it, it represents the number that we would need to get to sell that portion of the land. If we were to sell it, then the debt service would remain with the city and it would be a separate issue. So it doesn't take into account --

Councilmember Littlefield: So it's not included.

Public Works Director Dan Worth: No.

Councilmember Littlefield: Thank you.

Mayor Lane: Continue.

[Time: 00:41:22]

Public Works Director Dan Worth: You also asked for some estimates and proposals to get firmer numbers. And I will repeat that the analysis we did to come up with the \$68.4 million project costs, we took their actual design estimates for the buildings and didn't change them a nickel. We just -- we looked at them. We didn't see any glaring discrepancies. They seemed reasonable. We used those numbers to get more precise construction costs, you need more design effort. And we had that discussion six weeks ago. Two different ideas -- actually, three different ideas.

The first one, I just have up there because we mentioned it at the last meeting. I could take the package that we got from the consultant and I could hand it to a third party cost estimator and they can take a look at the factors that they used to develop their estimate, and maybe refine it one way or another. They are not going to be more precise. They will give us a second opinion. It's a fairly

modest investment. I'm hesitant to recommend doing that. I don't think we get a lot from it.

If we really want to refine the numbers, if we really want to get a better understanding of what this project is ultimately going to cost, we have to spend money to advance the design and that's what the second and the third bullet represent. If we want to advance the design to 30%, there's the fee to do architectural work. There's a fee to do exhibit work. You add them together and it's \$2.25 million to get to a 30% design.

If you want to go to 100% design and that was the question, I believe Councilwoman Milhaven asked, what would it take to get to where we bid it. This is what it would take to bid it, 100% design. That's an additional \$5.18 million. If we were to go from today, straight to 100% design, it's 30%, plus 100%, it's about \$7.4 million to get to full 100% design for the buildings and for the exhibits. And then we would have the opportunity to know exactly what it's going to cost.

Mayor Lane: Councilman Smith.

[Time: 00:43:58]

Councilman Smith: I think six weeks ago you did clarify so I will ask you again - whatever you spend here, is embedded in your mind and in theirs back in the 61 or 68 or whatever number? It's not additive to that number.

Public Works Director Dan Worth: Councilman Smith, thank you for that question. These numbers are actually exactly what we used to develop the design costs in our estimate, and that is different from the design class that were designed on the percentage of the anticipated construction costs and the DDCS estimates. We used actual fee proposals from our architect to estimate.

Councilman Smith: But none of these are additive.

Public Works Director Dan Worth: If we spent this money, it's a down payment on the \$68 million.

And then the last slide that I want to present to you is not up front capital costs, but because I know something about taking care of buildings, once we have built them. I want to address what we feel is represented as the maintenance costs for the facility once it's completed, as presented in the operating man by the DDCS. The top part of the slide shows the numbers that are in the DDCS proposed business plan, that relate directly to maintaining the building. The personnel, there's a facility manager and an assistant and a couple of custodial workers. They have a number for contractual costs, essentially for repairs. They have a utility cost, maintenance-related supplies and materials.

And then the \$299,000 number capital reserves, that's a very prudent approach, actually. This is funds that they proposed to set aside annually for major nonrecurring expenses for mechanical, electrical and plumbing repairs and maintenance contracts. That's straight from their operating plan. This is even though the building is going to be new, when we open it up, and, you wouldn't have to

expect to replace a lot of mechanical equipment, air conditioning equipment, electrical equipment in the near term, they are taking the long-term approach and setting aside a capital reserve to cover those costs when they do come up. And we treat that as an operating cost when we budget for our maintenance in the city. That's the appropriate way to do it, the way they have it here.

The numbers at the bottom, the building proposed or the group of buildings were to be proposed as a capital project, one of the things we do in our CFE process, we have our facilities department generate an estimate of the annual operating costs for the building. This is a number that you would get if you used the same factors that our facilities department uses for any other building.

They have the operations and maintenance factor that includes our staffing, our contracted work, our materials for maintenance and repair, and our major nonrecurring expenses. So this \$3.7 per square foot includes the equivalent of the capital reserve contribution that's in the DDCS' number. That \$3.7 per square foot number equates to everything in the DDCS number, which is everything but utilities.

We estimate utilities separately, and you can see the utility number we have. There's a big difference in utilities. That's due to the DDCS anticipating heavy use of solar to generate electricity on site. We didn't take that into account when we looked at the utilities numbers. If that does pan out, then our numbers get even better.

But without taking that into account, their annual cost, \$129,000, compared to our operating costs is within reason.

So we would like to tell you we have a fair degree of confidence, but they have at least that part of the operating expenses right.

And with that --

Mayor Lane: Yes, I'm sorry, Councilman.

[Time: 00:48:38]

Councilman Smith: Dan, if you would, please, go back to that slide and explain something. At the bottom when you are estimating your costs one is that \$3.07 a square foot and the other is \$3.16.

Public Works Director Dan Worth: You are always catching the potential math errors. It includes some of the covered outdoor areas where they are not air conditioned, the square footage for the utilities is a smaller number because it's essentially the buildings.

Councilman Smith: Okay. Thank you.

Mayor Lane: Any other questions of Mr. Worth at this time? Go ahead and proceed. Yes, Mr. Nichols, welcome.

[Time: 00:49:47]

City Treasurer Jeff Nichols: Yes, I would like to talk to you about the operating costs now being beginning with the operating revenues, the non-operating revenues and the operating expenses. This slide will probably look old for a while, because I will stick on it and talk from my notes. I will provide those to the city clerk after the meeting, if she would like them, but I want to start off by saying, looking at the business management plan, the business plan, it's a sound plan. It was thoughtful in revenues and expenses, but I think the takeaway from this, as far as I'm concerned is we really need to scrub the numbers and I will give you some reasons why I believe we need to scrub the numbers.

When you look at operating revenue, this is a not for profit. You have operating revenues and non-operating revenues. Operating revenues relate to their -- the business that they are in. So the sales of the ticket prices, the cafe, the shop, things of that nature, when I looked at the ticket revenue, it's based on a blended ticket price, which I think is a sound methodology. It takes into effect, all ticket prices, which there one ticket price or several. So that gives you \$4.10 per ticket across the board, which they are paying \$17.50, the top price or paying zero. So a good methodology, but what I think really is needed is a stress test on both the ticket price and the attendance figures. I say this because the attendance figures I will get to later, drive some of the operating costs.

I looked at the memberships. They seemed reasonable as far as the number of memberships having worked for the Scottsdale cultural council. I have some knowledge of revenues from operations versus revenues from members and membership fees.

When I looked at the other earned revenues, when I'm looking at the retail sales, they are based on attendance. So at \$3.90 per attendee, a fluctuation in the attendance will affect those revenues. When you look at the cafe, some of the revenues that would accrue to the Desert Edge come from the lease of that space, at \$35 per square foot, but other revenues come from \$1.50 per attendee an assumption of penning in the cafe. And they add a premium of 15% based on the people that are coming to the cafe, but not necessarily going into the Desert Edge to experience it. So they are not buying tickets to get to the cafe.

When I look at the programs, events, rentals and other earned revenue, 60 events per year, it's laid out in the business plan. There are no estimated payments. I can tell you in the earned revenue from GDI, there's nothing assumed. There's no lease fees for the space that they will be occupying.

Mr. Worth just touched on the fact that they were not contributing to the construction costs. The construction costs were in the 62 to \$63 million figure. There's no revenue or cost sharing coming from G.D.I. for that.

When I look at the non-operating revenue, some of the other things that not for profit would have, a lot of it is dependent on not only the management, but the partnerships that the management has within the community. And by that, I mean their base. Those willing to buy memberships and the corporations and the businesses and the others would want to be involved in a project like this, and

those fund-raising events were estimated by the DDCSI.

One concern I have is the grants, gifts and corporate sponsorships, it's a fairly substantial amount in the business plan. Is it achievable? Possibly. But, again, dependent on memberships. And it's also an area where I feel if -- if you start up a new facility like this, I'm not sure you get to those gifts or grants or some things until you actually have some history behind you, say, 18 to 24 months down the road. So I would expect to see a buildup but to scrub those numbers a little bit more.

As was noted by Dan Worth, the assumed capital contribution from the DDCS is, that begins the planned operating reserves if you will. The endowment, if you will, for a not for profit and it comes in in at about \$7 million for 2021. If they were our partner they would take the initial fund-raising amount and put it in the planned operating reserves and that, in addition, in their five-year plan to our \$758,000 contribution, to the planned operating reserves. They estimate a 5% return. So 3% of that goes to the operating revenue, and 2% goes to increase that endowment. So it's split 3% or 2%.

Operating expenses starting with the largest one first. Personnel, I think we really need to look, dependent on what's built and if there's phase construction or not. They have 72.5 FTEs. I don't see an assumption on hiring prior to the grand opening if you will. I'm assuming that there's some positions that will need to be filled before construction is complete. I would think the biggest ones are related to the C.E.O. of the organization, the person that's responsible for generating income so the person responsible for memberships, donations, getting that going, those would have to come on board first. You certainly wouldn't need any of the FTEs that they show in their plan prior to the opening. You might have to get them on board as far as the hiring process, but, again, at what point and time do those people come on?

What assumptions do we make? Because I didn't find in the business plan where a start-up cost was included. And I -- I assume that there will be some level of start-up costs before this actually gets going.

When I looked at the personnel operating expenses, the Social Security, Medicare, it seemed very reasonable. Again, one thing about the operating expenses, it's dependent on volunteers. They are showing 300 volunteers within their program. Some of the operating expenses are dependent upon FTE count. And so, again, when we start looking at the number of FTEs, that will impact those operating expenses. Granted they are not as great as some of the other costs, but you are talking about uniforms, travels, meetings, dues and subscriptions, things of that nature, that these people will need. And they are all based on the formula that they use as the number of FTEs, times a certain dollar amount to come up with those operating expenses.

Some budgeted expenses that they have. Oh, some other operating expenses that are per attendee. So not per FTE, but per attendee, they talk about advertising, hard copy communications. Facility supplies and materials, all would be based on per attendee attendance. And, again, when I look at the drivers of these costs, I think the assumptions that they make, that they are driven by FTEs or are they driven by attendance, it's -- it's a valid assumption to make. The more people attend, the more some supplies you are going to have to -- have to have available to take care of them.

Some of the budgets expenses just flat dollar amounts or based on square footage, events and programs, insurance, repair and maintenance and the like are just budgeted expenses, and the last expenses we all know, that we budget for is a contingency and they budget 3% of operating expenses as a contingency. When I look at the city budget of \$3 million of operating contingency in the general fund, it's about 1% of our operating expenses that we budget for contingency. So I think very reasonable, if not overstated.

I want to get back to some of the assumptions, though, as Dan mentioned, the \$6.3 million in 2021 will be a little bit over \$7 million. That is the start of their endowment, if you will, and they will use that endowment to take care of revenue and operating expenses. Some are dependent upon what is built and the type of construction. They have been very aggressive with the use of solar on the property. And also, the rammed earth construction. I think that will decrease the utility expense in the project. To what extent, I'm not exactly sure at this point in time. It's a very expensive type of construction and one of the reasons people do it is to have less of an operating expense going forward with a project of this nature.

With that, I will take any questions you may have on either own the revenues, non-operating revenues or the operating expenses.

[Time: 01:00:00]

Mayor Lane: I have a couple, you mentioned the timing of the FTEs and the absence of the start-up fees or delineated or lined out. Do you have any comment as to what might be missed there? And I realize on the overall, it sounds like you think that their assumptions and projections and calculations or on board, but the absence of the start-up fee, does that leave us with the process of greater deficit.

City Treasurer Jeff Nichols: Assuming we take on those expenses, yes, it would. That's why I want to scrub the numbers. I want to understand what staff they feel -- it's not evident in the business plan, what staff they have feel would need to come on beforehand, what the timing of that is and what staff could wait for hiring until the time that we actually open for attendance.

Mayor Lane: And this is just for a point of clarification, and that is on the A.S.U. side of things, as far as -- is there a tradeoff of actual elements as services or otherwise that A.S.U. would be providing that would mitigate what their lease would cost and is it shown as a reduction in costs or is it shown as sort of a bartered type of revenue.

City Treasurer Jeff Nichols: When you look at what A.S.U. brings to the table, is staff, equipment, scientific equipment, if you will and their supplies in the not for profit world, all of that would be considered contributed revenue. It's not spendable, but if you had to go out to the market and hire those people, those scientists to review, do that -- do those studies, if you had to buy that equipment, they will bring that with them. That not for profit will treat that as non-operating -- or contributed revenue.

Mayor Lane: So we would have to hire those people, if, in fact we had that space and the use of that space.

City Treasurer Jeff Nichols: If this was a study of the Sonoran desert environment and all the flora and fauna in it, then, yes we would have to go out and hire those if A.S.U. and GDI was not giving us those scientists and that equipment.

Mayor Lane: Are we paying that personnel or is that a complete contribution?

City Treasurer Jeff Nichols: It's a complete contribution.

Mayor Lane: There's not an in or out of those costs. They are supplied. They are contributed.

City Treasurer Jeff Nichols: It would be contributed revenue.

Mayor Lane: Yeah.

City Treasurer Jeff Nichols: And they would give us the figures they feel the contribution is worth. That standard in the not for profit world, I can tell from you my experience.

Mayor Lane: Okay. So that's not necessarily a mitigation of lease costs or otherwise, because it's not taken that.

Yes, Councilman Smith.

[Time: 01:03:03]

Councilman Smith: Thank you, Mayor. Staying with that point on A.S.U., I think in the original presentation that we got there was a footnote to the revenue potential, that the payment. DDCS materials were not determined at the time of this plan. It's not surprising that they are not in there because we haven't done that yet and not only that, it's something we will want to do in the future. I want to clarify, I don't think it's an oversight on anybody's part that it's not in there.

The question I have for you, Mr. Nichols, as far as the ticket price or the attendance, you said we should do and I think you called it a stress test. You don't have the wherewithal to do that. You are suggesting that somehow we go back to the consultant and say what if? What if things were higher? Or what if they were lower?

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Smith, what my recommendation would be, would be that we go out to have that. You're right. I don't have staff on board to perform that type of analysis, however, I'm not certain that we use the same vendor or we ask another vendor to take a look at the numbers and provide us with their input.

Councilman Smith: Sure. Thank you.

City Treasurer Jeff Nichols: That's, it Mayor.

Mayor Lane: Seeing no other questions. Thank you very much. Or continue.

[Time: 01:04:43]

City Manager Jim Thompson: Mr. Mayor, members of council, just so you know in the section two, we have parts, a, b and c, we will have different presenters. Next we talk about the economic feasibility and the aspirations of that and we will go back and clarify the partnership relationships that were so noted in there and I think there's a point made regarding the potential relationship with Arizona State University, and we can clarify some of those points based on recent discussions we have had with them.

Tourism and Events Director Karen Churchard: Good evening Mr. Mayor and Councilmembers. You asked us to review the business plan, and the second was you inquired about doing an economic impact study on the business plan, and the city of Scottsdale could seek outside review of the business plan and basically review the direct and indirect economic impacts from the development and operation of Desert Edge, the types of things that would be a data driven summary on that would be things like desert impacts, retail restaurants, construction impacts, ticket revenue, facility rental revenue, construction and even reviewing the full-time and seasonal employment.

In addition, you had asked about any direct losses the city could anticipate if the project was not developed. So that would be included in the economic development -- the economic impact study as well.

And also to review an analysis of assumptions and comparison to projects of similar nature in other competitive markets could also be included in the economic study. We feel that the project could be delivered in about four to six months, and would be a full review of the economic impact analysis and the costs would be approximately \$100,000.

Mayor Lane: Yes, Councilwoman Korte.

[Time: 01:06:44]

Vice Mayor Korte: Thank you, Ms. Churchard. So where did the \$100,000 come from? Was that a market assessment on that?

Tourism and Events Director Karen Churchard: We didn't do a market assessment. We inquired with a few groups we have used in the past and there's two different ways to go. One was more of a review, which would be in the \$50,000 range but we felt a full review, more detailed would be -- would be maybe the way that we would want to go. Now, that's more the \$100,000 range.

Vice Mayor Korte: Thank you.

Mayor Lane: Thank you, Vice Mayor. Any other questions on -- yes, Councilman Phillips.

Councilmember Phillips: Thank you, Mayor and Karen, I'm assuming this is coming out of your budget?

Tourism and Events Director Karen Churchard: If that was directed, yes.

Councilmember Phillips: I'm kidding. If we are looking for direction, I think this is something we should be doing.

Mayor Lane: Thank you, Councilman.

Councilmember Phillips: I said if they are looking for direction, I think this is something we should do, the feasibility study.

[Time: 01:08:03]

Mayor Lane: Any other comments on this? Is there a consensus among the Council?

Councilman Smith: If we are going to talk about just this single item, I would agree an economic feasibility study is certainly valuable in guiding us on making this estimate. I was -- my hesitancy was not in supporting this. It was just going to be a global set of comments at the end but I do support this.

Mayor Lane: Okay. Any objection to that then? Yes, Councilwoman?

Councilmember Littlefield: I kind of object to us spending the money ahead of the fact that we haven't decided if we are going to even consider doing this yet. So we have already spent a lot of citizen money and I think we need to make our decisions on the beginning parts before we decide to spend more and more and more. Thank you.

Mayor Lane: Councilwoman, and maybe the rest of council, I think what we're talking about here is something that will undoubtedly come into a sort of focus as we bring this all together. But if there's at least a consensus on this point, it's something we might include in that package as we may or may not move forward as it might be.

Tourism and Events Director Karen Churchard: Thank you.

Mayor Lane: Next, the funding sources.

City Manager Jim Thompson: We have one more clarification of partnerships and there were two more relative to the clarification of partnerships. Kroy will walk us through those two.

[Time: 01:09:45]

Preserve Director Kroy Ekblaw: Good evening, Council. The first question that was raised was with regards to the McDowell Sonoran Conservancy. And per an email sent to all the council and city manager on October 16th, their chairman, Greg Kruzel did clarify that the Conservancy's role, specific to enhancing the experience of visitors at the edge and all of this subject to some type of contractor agreement with the operator, would be to provide wellness and educational hikes, and with would be conducting educational nature guide tours and participating in educational programming within the edge proposal. The Conservancy, additionally identified that they would continue their research and collaboration with Arizona State University, some of which could be coordinated through the Global Dry Lands Institute and some maybe outside within relationship that they already had. So that was specific to the questions of the McDowell Sonoran Conservancy.

And to the Arizona State University, I will preface with the three slides, with the submission that was made to the city in August of this year, and as a partner, A.S.U. would provide -- or locate the dryland institute headquarters within the DDC's facilities a research anchor, they would endow five new faculty positions within that, and they would invest in the various scientific equipment and laboratory spaces within the DDC.

Then from a standpoint of supporting the public education mission, for the project, they would be establishing a research experience program for visitors. So visitors that would be there would have an ability to directly interact at times with research programs that would be going on. They would provide context and scientific rigor for the development of general outreach programs and exhibits. So as their research identified things, it could lead to updating of exhibitory, scientific information, as well as identifying programs that could be established and they would be establishing the connections between the DDC and the specific academic programs at A.S.U.

And the third area that they identified specific were both student scientifics and student docents that would provide ability to help with research of expert oversight and public programming within the facility and then the docents being able to aid in interpretation and questioning and prompting new thinking were all identified as elements within that.

So the question then that was raised in the last meeting as to the involvement of A.S.U. with the physical improvements and Dan had identified that's a \$7.2 million element, I spoke with Duke Reiter who is the senior advisor to the president, he clarified that all of those things that just went through on those three slides, A.S.U. was responding to the request, the invitation, to be a research academic partner to achieve the mission of the DDC, and that those various elements represent several million dollars in investment by A.S.U. in both the one-time up front funding as well as the long-term ongoing staffing and operational costs that they would commit to.

The proposal itself, then, does not include A.S.U. funding costs for the building. The laboratory equipment, furnishing supplies, this he would be -- they would be providing that. A.S.U. themselves would not lead a fund-raising or make it a formal part of an A.S.U. fund-raising campaign, but they are open to supporting efforts by the DDC operator or similar and allowing the A.S.U. name to be part of a

fund-raising campaign that could be established by that and certainly they would provide staff and others in support of those efforts but it would not be part of an A.S.U. sponsored campaign, but it would be something that they would be willing to assist with.

Mayor Lane: Vice Mayor.

[Time: 01:14:38]

Vice Mayor Korte: Thank you, Mayor. Do we have a memorandum of understanding with A.S.U. regarding these elements?

Preserve Director Kroy Ekblaw: There was a memorandum that was done between the DDCSI, and A.S.U. and then there is what was submitted in the proposal of August of this year. Clearly there are additional efforts that would need to be done in going forward that would need to memorialize some of these commitments in a contractual manner.

Vice Mayor Korte: And that memorandum is consistent with these points that we're talking about tonight?

Preserve Director Kroy Ekblaw: I based it off of the application, and then confirming that with Duke Reiter.

Vice Mayor Virginia Korte: And do we have a memorandum of understanding from the McDowell Sonoran Conservancy.

Preserve Director Kroy Ekblaw: We have the letter from the chair.

Vice Mayor Korte: But no normal --

Preserve Director Kroy Ekblaw: Again, none of this has progressed to the extent of having that in a document that's at that level of agreement.

Vice Mayor Korte: And didn't we receive another document before this one from the McDowell Sonoran Conservancy, stating that they were opposed to the Desert Discovery Center or the Desert Edge at the time?

Preserve Director Kroy Ekblaw: I don't have that in front of me. They clearly identified concerns with the location at the gateway. I think they supported the concept of education of the Desert Edge proposal. And I think they left it to the city council as to the determination that with the direction of council, those elements of October 16th that they were prepared to provide support to the education and the ongoing scientific research collaboration.

Vice Mayor Korte: Well, I would think that that apparent conflict is something that we would need to reconcile before we move forward with them. Thank you.

Mayor Lane: Thank you, Vice Mayor. Any other questions for Mr. Ekblaw? Thank you.

[Time: 01:17:13]

City Treasurer Jeff Nichols: Mr. Mayor, we will begin to talk about possible funding sources, if you will for these costs and the first thing I'm going to touch on is the tourism development fund and what's available right now which is the undesignated, unreserved fund balance that is built up in the tourism development fund, and then we'll look at some funding that may be available annually on an ongoing basis.

Rather small print down here, but the bottom line is if you look down in the bottom right-hand corner, nearly -- I'm having a hard time seeing it. Almost \$11 million is available. It's \$10.7 million currently available on a one-time basis for funding from the tourism development fund, funds that have built up within the fund, that have not been used, are undesignated, unreserved is a term we would like to use for it. Another source of funding -- yes, sir.

Mayor Lane: Yes, Councilman Smith.

Councilman Smith: I'm looking at the hard copy of the slides so I can read it, but it looks to me that the amount that's there is 12.8, not 10.7.

City Treasurer Jeff Nichols: I'm having a hard time here because I don't have my long range glasses on.

Councilman Smith: It's 12.849. Or at least it was at the end of last year.

City Treasurer Jeff Nichols: I stand corrected as is norm, Councilman Smith is correct on the numbers.

Tourism development fund allocation. We have tranches of \$600,000 when financial policy 21a was set up, it was set up in such a way so that the growth within this fund over time would become available for capital improvements related to tourism. As you can see, approximately \$4.8 million and a \$600,000 slice is going forward that could fund a significant portion of the capital costs related to Desert Edge.

And these funds, the difference between these funds and the Preserve funds is these funds can be used wherever this facility is built. We have used some to build the Tony Nelssen Equestrian Center. We used some of these funds related to the TPC. We have used some of these funds related to the 80 acres at WestWorld. We used some of these funds related to the Scottsdale Museum of the West. So they would be available, should council direct staff. Of course, we will go through the process of going through the TDC and getting their recommendation on the use of those funds.

Mayor Lane: Yes, Vice Mayor.

[Time: 01:20:09]

Vice Mayor Korte: Can you go through this again? I'm having difficulty in seeing this and the \$4 million is coming from.

City Treasurer Jeff Nichols: It's hard to see -- and for me, I don't have my long range glasses on. But there's \$600,000 increments at the top that are in the parenthesis to the right at the top. And each one of those represents what we used to refer to as a slice.

Vice Mayor Korte: I got it. I understand. So the unused \$600,000 per year partitions of that fund?

City Treasurer Jeff Nichols: That's correct.

Vice Mayor Korte: That's unused. Okay. Thank you.

City Treasurer Jeff Nichols: \$4.1 million. That's correct. \$4.1 million is available annually.

Mayor Lane: Councilman Smith first and then Councilwoman Littlefield.

Councilman Smith: I was going in to correct the 4.7 to 4.1, but I got beaten to the bunch. Explain, Jeff, what the \$4.1 million of accumulated debt support could really support in terms of debt. In other words it could be just spent as 4.1 and then it comes back in. Year but you could dedicate it to support long-term debt in the amount of --

City Treasurer Jeff Nichols: That's correct. When we look at our current borrowing rate, let's use a rate of 4%, we believe that \$600,000 could support approximately \$8 million. So if you do the math, \$4.1 million could support at least \$42 million of debt going forward at 4%. If we got a better rate from the market.

Councilman Smith: I thought you just said \$600,000 wedge could support \$8 million.

City Treasurer Jeff Nichols: Right, correct.

Councilman Smith: And you have -- you have several -- well, you have one, two, three, four, five, six, almost seven wedges.

City Treasurer Jeff Nichols: I'm sorry, my math is \$28 million.

Councilman Smith: You are getting closer. I think the number \$54 million. If you have eight wedges -- if \$8 million can be supported by a \$600,000 wedge and you have this many wedges, I think you have the ability to support \$54 million of debt. Alternatively, sometimes have you said that \$1 million of money here could support \$12 million of debt, another shorthand way of looking at it. You have \$4 million.

City Treasurer Jeff Nichols: I think that gets us closer to the 54 that you are talking about it.

Councilman Smith: Either way it's around \$50 million.

City Treasurer Jeff Nichols: It's a significant amount and I apologize for not having that number with me.

Mayor Lane: Councilwoman Littlefield.

[Time: 01:23:11]

Councilmember Littlefield: Next time make the color background a little lighter so we can see the numbers better. Would that take all that's available in this tourism development fund allocation then for years or that increasing every year?

City Treasurer Jeff Nichols: Councilwoman Littlefield, the revenues would continue to increase.

Councilmember Littlefield: Okay.

City Treasurer Jeff Nichols: Our current projections right now, it would basically take up all the available funding for a period of probably 20 years because that's how long the debt would be issued for, the average life of ten years.

Councilmember Littlefield: So then these funds, which we use for a lot of different tourism events and projects and programs would not be there for us in the future for other things?

City Treasurer Jeff Nichols: If all of the funds are used for this purpose, they would not be there for other things, that's correct.

Councilmember Littlefield: For about 10 to 20 years?

City Treasurer Jeff Nichols: Well, an average life of ten years. I would like to point out that as soon as we sell debt, we begin to pay it off.

Councilmember Littlefield: So some capacity would be built back in over time. The whole amount wouldn't be gone through. But the first few years if I remember how debt works is not very much.

City Treasurer Jeff Nichols: That's correct.

Councilmember Littlefield: Thank you.

[Time: 01:24:33]

City Treasurer Jeff Nichols: For the Preserve tax dollars we looked at it with the sales tax on food and without the sales tax on food. For this part of the presentation, I would like to call up Kroy Ekblaw.

One thing I would like to point out is we have sold debt related to the Preserve, G.O. debt, and we purchased land with that -- that -- those proceeds, and in that, we told the people who were buying that debt, that our intent was to pay off that land with the proceeds with the Preserve tax dollars, the sales tax dollars and not the ad valorem tax. So there is some concern out there, as far as whether the sale tax on the food for the Preserve, whether we have made a commitment. So I would want to go back to our bond council, and ask them their opinion. Just so that we don't have anyone coming back and saying, you had pledged revenues for this debt, and your ability to pay it might be diminished by taking away the sales tax on food. So I did want to throw that out there. So that it's part of the discussion.

Mayor Lane: Mr. Nichols, obviously we have consideration for the food tax change, but the other is without that consideration. We were just talking about how we would fund on a capital basis, a building capital basis, how is -- what would be the source or how much would be looked to come from Preserve tax fund one way or the other versus the tourism development funds?

City Treasurer Jeff Nichols: That's --

Mayor Lane: And again, I'm -- pardon me for doing it, even though we are talking about the city, whether it's \$3 million on the land and \$1 million for the relocation, I think we are looking at somewhere around \$72 million. We may be looking to finance somehow or another to pay the city back for land that's being used for it. And that's just for the building side of it. I think we just concluded that maximum that's available if we used every dime, and I realize recovery rate and everything you talked about, but we have other things that will be calling upon these funds in the not too distant future. We have to be careful about how much we are thinking about that.

Has this been any consideration for how much Preserve tax dollars would be available and could be used to fund that total building capital fund versus the tourism development funds?

City Treasurer Jeff Nichols: I believe there's consideration not only for that, but the other expenses that you talked about, the improvements within the Preserve, be they trailheads, the concept of an endowment. There are other asks on these Preserve sales tax dollars that are included prior to coming to what's available for construction of the Desert Edge, yes.

Mayor Lane: Well, in both cases there's consideration for how we might use, whether it's tourism development funds or whether it's the Preserve tax funds, we do know there's other applications for those funds that we're looking at. I don't know that we put any numbers to that. But right now, we are talking about how do we fund this particular project as we have quantified it or at least to some realm of quantification right now?

What are we looking at is what's available and, you know, how we would protect a balance in both of those accounts for other uses. Have we given any thought to how we might want to be --

City Manager Jim Thompson: Mr. Mayor, members of Council, yes, we have. And, in fact, the next few slides, we will walk through the reserve funding that's out there. We look at tourism and the Preserve funding is the two options. Obviously, there's other options to fund it as well but we did not go into those -- into that depth analysis. We looked at the two that were asked of us last time and we are prepared to discuss those. Our limitation on the other were \$54 million if we wish to discuss it all. You see with the Preserve tax, that's higher and inclusive of other takeaways depending if the food portion of the tax is included or not. That's something that we would have to confirm with bond council if that's even an avenue that we could remove, as part of the discussion.

[Time: 01:29:21]

Mayor Lane: If I might, we had 2 St. million dollars, \$12.8 million of carry over funds to the present time. I know that there's a lot of people knocking on the doors on those funds as well. But that's an add to the 54 or 56, whatever that number would be, as far as what tourism development funds could effectively use in this regard. I'm not suggesting it. I'm just saying, you know, where are our resources on anything along this line.

City Treasurer Jeff Nichols: Mr. Mayor, it's an add to and it would decrease the amount of the annual revenues that we would need to use going forward to fund any -- any debt service coverage.

Mayor Lane: Yes, in fact, those are one offs. So we would actually reduce on a one off basis. Yes. I understand. All right.

[Time: 01:30:30]

Preserve Director Kroy Ekblaw: For a quick review of the Preserve tax and status. This is through 2034, with no -- if they were no other land acquisitions or improvements at this point in time, projecting \$134.8 million. We have currently a number of things ongoing in planned improvements, not much in land acquisitions at this point and we are projecting that up to \$34 million, which would then lower the uncommitted cash by 2034 to \$101.8 million.

Previous discussions then about a perpetual Preserve care funding concept and this comes from previous examples.

There are questions within the assumptions about the interest rate achievable and what the targets would be for the operations and maintenance and for the research and education, but based on those previous examples -- the previous example, that's a \$38 million impact which would then bring the remaining uncommitted cash to \$63.8 million.

So again, some of those planned improvements at the top are underway and in progress and dollars are being spent today. Not all of that 34 projected is in that, and then certainly the example of perpetual care would require a vote in order to utilize the Preserve tax funds in that manner. And so that is only an example at this time.

So then the example, if the food sales were not to -- or Preserve tax were not to be applied to food sales, it's about a \$39 million swing lowering that, from -- if no improvements or no land, it brings it from the 135 to 96, and the final number goes from 63 to 24.9. So those are the numbers associated with the Preserve tax at this point and I'm happy to answer any questions.

[Time: 01:32:56]

Mayor Lane: That -- if I might on the 24.9, frankly or the other number, the 63.8, before any consideration for the food tax, if that sum is accumulated over a period of time, this is what the projected end number of accumulation is.

Preserve Director Kroy Ekblaw: That's 2034. That's not cash available today.

Mayor Lane: Is there a supportable debt service on this that has been calculated?

City Treasurer Jeff Nichols: The --

Mayor Lane: How much debt this would support? Either way.

Preserve Director Kroy Ekblaw: I don't know if the city treasurer's done an analysis. It's something we can certainly do.

City Treasurer Jeff Nichols: Mr. Mayor, we can look at that. For some reason, my mic is not working. We can look at that going forward but we haven't looked at availability on an annual basis of what would be left over. Certainly, the buildup of these funds is greater in the later years than it is in the current years.

Mayor Lane: I see, and there's what, about an average of 10, 15 years left?

City Treasurer Jeff Nichols: One of the -- the first revenue stream began in 1995, and ends in 2025. The second one began in 2004, and ends in 2034.

Mayor Lane: Okay. Thank you. One other thing on this line and that is currently the requests that are coming for -- on the maintenance of the Preserve as it is right now, with the conservancy, are those amounts of money that may be contemplated to be paid coming from served tax dollars?

Preserve Director Kroy Ekblaw: The example that you have in front of you came from a summer and a half ago. We haven't altered that. From the city's standpoint, we have been targeting on the Preserve operations and maintenance roughly that million to \$1.2 million, as a reasonable but that does not take into account potential revisions with the conservancy.

Mayor Lane: Okay. It may be able to be factored within that, but we have not roughed that out. I'm sorry, that last statement.

Preserve Director Kroy Ekblaw: We may be able to fit that within that range but it may require going up a little bit.

Mayor Lane: Okay. I'm sorry. Vice Mayor, you first.

[Time: 01:35:25]

Vice Mayor Korte: Thank you, Mayor. So looking at your projections for acquisitions and improvements, the \$33 million for improvements, can you -- can you break down what that is?

Preserve Director Kroy Ekblaw: Yes, it included -- certainly we had three trailheads under design right now, the Pima and dynamite trailhead and then the upgrades to the phrase field and granite mountain trail heads that are simply gravel parking lots at this time and have no other restrooms or other facilities. So it would be the complete design and improvements to those three trailheads. It identifies a -- an additional probably 15 to 20 miles of trail that's in the existing master plan and all of these things are within existing master plans.

We then have projections for some additional variety of things such as boundary control, maybe some additional fencing in a few areas as we have been evaluating the north area in the last five or six or seven years. We have a lot of fencing that's old, ranches fencing, two strand wire and in some cases we see a fair amount of cutting of that, and we may go with more single pipe rail approach. So there's allowances for things such as that.

There's also allowances within there for all of our trail heads that are built today, have -- none of them have been built to their maximum parking, except for the one we did this summer which is Tom's Thumb, which we expanded from 200 stalls to 300.

But several of our other trail heads, we have -- we have a master plan. We tend to build them, somewhere in the 50% of master plan capacity. And then over the years, as we see the actual at various trail heads, we have expanded in some cases. So there is an allowance in some of this for some expansion of existing trail heads as well as the one that are design today.

We then are also working with -- and this will be something that we're evolving with the conservancy in the analysis of invasive plant species and long-term plans to remove those. We are looking at restoration of old be they road scars or ranching scars and other damage and what it will take to restore those as well as then wildland fire protection, with the acquisition of the lands to the north, this past year in particular. We had a very successful wildflower season, and our fire department considers that to be fuel load. And so we are looking at how we can manage our exposures on the edges and we have got an allowance for all three of those built into that as well.

Vice Mayor Korte: So how much have we spent on improvements to date in the Preserve? How much have we spent on improvements to date in the Preserve?

Preserve Director Kroy Ekblaw: I didn't bring that with me. I think that number is roughly \$26 to \$28 million up to this date that we have spent on improvements.

Vice Mayor Korte: And we expect to spend another \$33 million. That's the projection? So that equates 5 to \$6 million per trail head plus parking expansion, which is, you know, several acres that are going to be parked and plowed over, et cetera, et cetera?

Preserve Director Kroy Ekblaw: Well, there's that and, again, the -- those invasive weeds and -- or invasive plants --

Vice Mayor Korte: And the revegetation project.

Preserve Director Kroy Ekblaw: Some of that could be several million dollars. Our trailheads tend to be a little under \$5 million, all the Pima and Dynamite will be a little bit bigger than the other two, but 3, \$3.5 million is not uncommon on our trail heads.

Vice Mayor Korte: Thank you.

Mayor Lane: Thank you, Councilman Smith.

[Time: 01:39:42]

Councilman Smith: Kroy, you may not be able to answer this question. This may be a question for the city treasurer, but what assumptions were used in generating this top line up here, the expected cash before you deduct anything in 2034?

Preserve Director Kroy Ekblaw: I will let the treasurer respond to that.

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Smith, we assumed a 3% rate of growth in the sales taxes and we took the interest earnings from what was .5% over the term and raised the interest earnings up to 1.25%, the current rate of earnings on the total portfolio is about 1.29%. So if either of those assumptions don't pan out, that's, of course, going to affect either positively or negatively, but it's 3% growth rate in sales tax.

Councilman Smith: And I -- so I will stick with you for a moment, I heard the last time we discussed this, and council, I think -- or maybe it was when you were discussing it before the -- some other group, you said historically our sales growth had been greater than 3%, is that --

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Smith, you are correct. When I looked at -- because there was a question of whether that was a reasonable assumption. So when I looked at the sales tax growth rate from 1995 to the present that was greater than the 3% that we had. I believe if I recall the number, it was in the 4% range, about 4.1% rate of growth. And if you look at the sales tax that was approved in 2004, through to date, it was slightly less than 3%, but you have to be mindful that both of those were highly affected by the great recession. So there was a period of

time of negative growth.

I don't have those exact figures but I can get those and provide them to council. So the growth rate of 4% was muted by the great recession and the growth rate in the 2004 tax was, of course, affected by it more. So --

Councilman Smith: And I don't mean to question what you put in as the assumptions of -- I think, though, it might be helpful, if we had a sense of the -- the delta that comes from a different assumption, how much would another 1% in sales tax collections improve these numbers and conversely, I suppose, how much would 1% decline adversely affect them? But just a -- an indication of the sensitivity to those numbers. I don't expect you to have those tonight. But I think it's relevant to our thinking.

[Time: 01:42:28]

One question that I guess I wanted to ask, the Preserve maintenance and research and education annual annuity, this endowment, if you will, is presented on the piece of paper here as though that's a deduct from which we then have money remaining to do other things with. In reality, and I guess maybe I'm asking the city manager or my colleagues or whatever, should we be looking at the line called uncommitted cash after planned land acquisitions and improvements? I mean, I don't know that the endowment has any higher calling on this money than any other purpose. So in that case, it's either \$101 million with the food tax or \$62 million without.

City Manager Jim Thompson: That's correct.

Councilman Smith: Thank you for that elaborate answer.

City Manager Jim Thompson: If I may, I will expand upon it. All of it, if you look at the number, with or without, the 135.8 with the assumptions on 1.25 on interest and the sales tax growth and if those change, the delta could go up or down depending on conditions and then the 96.9 without the food tax and then we want to confirm with bond counsel whether we want to remove that with the obligation associated with the debt.

That said, either the 34 in projects, these are annual approvals in the budget process, they come through in the budget process. At any point, we can say that we are not doing some of the 34 million that are out there. So that -- that number could change. It could go up a little. It could come down a little. That's based on the master plan.

There are things we could decide not to do, such as trail heads or otherwise, because they continue as we grow parking and others. We obviously may not want to grow parking in one other and grow it in another. These are best we have today.

That said, the same with the 1 million a year operating. Right now, it's not costing us a million a year to operate. So it's a long-term view over the period of time in question that we would collect those

that a million would survive that tendency and same with \$120,000 a year if we decided that we wouldn't spend \$120,000 a year or if we made adjustments and said our estimated growth is 4% on that million, that number would go up or down according to what percentage we would apply to the growth factor associated with it.

So, again, all of those things, could we spend less than we spend now? There may be ways if we get volunteers to do other things but 750 is probably the base, 758 where we are at today and \$1 million is a good number because probably by the end of the term, if we get everything consistent we would be at 1.2, \$1.34 million. That's if you wanted to fund it 100%. Rather than funding 100% of the operations through perpetual care, you will do is 80% and take it from tourism and some other place, and general fund. You can do that as well.

So these numbers, again, could you say specifically that today, based on all the assumptions, based on everything we discussed over the term, through the completion, the amount that we estimate, that we'll have available to us, if we just did nothing, is 135.8 million and then without sales tax, 96.9.

Then, again, like said, any of the others can be changed or adjusted based on proposed budgets that the city manager may propose to the council, or any action that council would take with that proposed budget associated with these. That's my long answer.

Councilman Smith: I think I liked the short answer better. This wasn't any point to asking the question -- well, there was a point. The point was to simply say we are not trying to spend money here or earmark money or allocate money or anything else. We are trying to get a sense of what the funding capacity is of both the tourism fund and, I think, the mayor summarized that both, the short-term carry over money and the debt support and what is the funding capacity of the Preserve, tax and it's against those capacity numbers that I think we will be looking if we get around to that point to talk about how would we allocate the pain.

Thank you, Mayor.

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

[Time: 01:47:16]

Councilmember Phillips: Thank you, Mayor. By looking at that I mean, obviously if we took out the food tax, 24.9 is not going to be enough to do it. So we would have to go some other route and I certainly don't want to take out the endowment. So it's amazing how fast that \$100 million drops down.

That wasn't the reason I pushed my button. I pushed my button because we have another dinosaur in the room, and that's we still have property. We have a Preserve study boundary, and we have, I think three more properties to look at, and, you know, we are all assuming that, well, we will not get it, the developer will get it. Let's just not talk Baghdad it. But I think it has to be done.

I think we need to close out this Preserve study somehow. I think it needs to be done before all of this because you never know, we may get one of these properties. I feel it's our due diligence to finish that out. We have the two big postage stamps and the one little one along Pima Road. And maybe the developers will -- will bid more than we want to pay for it, or maybe we'll just let them bid and we'll say we don't want to pay that until we close it out.

I feel like it's our due diligence to finish this. So I would like to see -- we can't really vote on anything. But I would like to see this initiated and get with the state and get this land up for auction and get this over with, instead of just assuming we will never buy it and leave it floating forever. So let's all consider that. Thank you.

Mayor Lane: Thank you, Councilman. I think we are set.

[Time: 01:49:18]

City Attorney Bruce Washburn: Mayor and members of Council, at the last work study session, staff has given instructions to look at different ballot language that could be used to address those issues. That's what I will be talking about. The gist of what we were directed to bring back to you, had to do with essentially trying to find a way to get in front of the public in the council decided they wanted to do that, a vote on Desert Edge.

And part of the problem is the restrictions that are placed on what the city can put in front of the voters in the city's charter. There's a statement, and this was added to the charter, and it was ruled it was unable to do that because it didn't have a provision in the charter that allowed it to do so. So they went back and amended the charter, which basically now says that the council can put in front of the voters all matters on which the council is or shall be empowered to legislate. That's a significant restriction on what can be placed in front of the voters because not everything that the council does is a legislative act.

If you think about what are the things that will be done next with respect to Desert Edge, presumably, if the council decided to proceed with it, the next thing would be a contract for further design work or for construction or something like that. Well, design professional and construction contracts, not legislative acts, the city council does those all time. They are done by resolution and they are not what's generally considered a legislative act.

Another thought might be, well, can't we just put in front of the voters, do you want us to build Desert Edge, yes or no? But that is more like a -- a survey question or opinion question, and there's cases out there that very specifically say that that is not a legislative act and you cannot just put in front of the voters, you know, what would you like us to do one way or the other?

So the -- what we have tried to do, in fashioning ballot language or proposals consistent with what the council asked us to address is find ways that something could be put in front of the voters so they would have a chance to express their opinion, their wishes with respect to Desert Edge, but it's not an easy thing to accomplish, because of the legal restrictions.

And having talked about Desert Edge, the first proposal that you asked to have addressed is, in fact, not limited to Desert Edge, and this is -- this goes to the question of is there some way that the Preserve tax could be used for operation and maintenance of trails and buildings in the Preserve?

As you are aware, right now, the Preserve tax, there's two Preserve taxes, the '95 and to the 04, and the 1995 Preserve tax is limited to the acquisition of land. That's my understanding from the city treasurer that that tax is pretty much already dedicated to the acquisition of land. So they really talk about what use can be made of the 2004 Preserve tax. The Preserve tax was approved by the voters in 2004 and it's limited to the acquisition of land and the limits thereto.

So what would have to happen if the voters wanted to allow them to use the Preserve tax not only for the acquisition of land and building improvements there to, but also for operation and maintenance of Preserve in the future. The city would put in front of the voters a ballot that would allow them to vote on the use of a tax. And this is -- and all of the language that I'm going to be talking to you about is kind of our first draft to bring back to you to get direction on where you wanted to go and these are concepts.

And if we, in fact, get specific direction to come back and, oh, yes, put this on the ballot, we will be refining the language and probably doing further research to make sure that we are absolutely rock solid on what we are putting in front of the voters, but this is the thought right now, that the voters would be asked to vote on a change in the use of the Preserve tax, so that the existing uses would also be added, the permissible use regarding the maintenance and using the Preserve tax for operation and maintenance.

The features of this that I think need to be considered, start with you need to pick a date certain when you are doing this. This is kind of a technical issue, but presumably the ballot says after this date, some date after the voters have approved it, from this date forward, the following uses will be permitted. So any Preserve tax collected before that date would be used under the existing Preserve tax uses, but the dates after the Preserve tax date -- collected after that could be used for any of the improved uses and operation and maintenance. It's not tied to the Desert Edge, however, if it was passed and if the Desert Edge were built, then the Preserve tax could be used for operation and maintenance of the Desert Edge along with any other improvements on the Preserve.

Also, I should point out that this permits the use of the Preserve tax for operation and maintenance but it does not require it. It just adds this to the uses so that if the citizens approve this, basically the Preserve tax can be used for acquisition of land and building improvements thereto and the operation and maintenance of it.

The second council direction we got was basically to look at --

[Time: 01:55:08]

Mayor Lane: Excuse me one second. I have think there may be at least some conversation on this

one and I would like to start it by just saying simply irrespective of what is happening with food tax or otherwise, I think this change must be made. A lot of the conversation about what happened here today and with the Desert Edge and everything else, is a proper application of taxpayer resources to those items that were initially and frankly continue to be an asset for the city, but an asset that has to be maintained.

So I -- I think that the idea of a simple change in the language on this for all of our needs in this area, to try to tip to make sure that the taxpayers are not burdened with something additional as best we possibly can going forward, as far as the maintenance and operation of the Preserve, I think it would be a good thing to do and I don't know that there -- well, I don't know exactly if there's opposition to it, but illogically thinking, it will be a good thing to do. So if I were to get into this issue, I think it has real relevance on how we move forward.

Yes, Councilman Phillips first.

Councilmember Phillips: Thank you, Mayor. So I believe Mr. Washburn that we're kind of saying in the past that we were going to do this anyway. Let's say this doesn't go to the ballot, and council votes to do the DDC, we are still going to do it, right?

City Attorney Bruce Washburn: I know this was discussion about this, I don't know that we have received the direction to go ahead and put it on the ballot.

Councilmember Phillips: That's not what I mean. What I mean is you stated in the past, council can build whatever they want on the Preserve, basically and by doing that, we will be doing the operation and maintenance. So we will do it anyway. Let's say we put this on the ballot and for some reason the voters turn it down, we can still do it?

City Attorney Bruce Washburn: No. I don't think I have ever said that the -- and if I did, I misspoke that the Preserve tax could be used for operation and maintenance of anything on the Preserve. It's -- right now, it's limited to the acquisition of land and the building of improvements, not the operation and maintenance --

Councilmember Phillips: You were saying that we could use the money to build it, but not to operate and maintain it?

City Attorney Bruce Washburn: If you are talking about what is now called the Desert Edge, yes, at the time I made that statement, it was my opinion and it's still my opinion that the Preserve tax can be used to build Desert Edge on the Preserve because it's an improvement, it's -- I don't think it's the same thing as council can build anything anywhere on the Preserve, but we're just talking about Desert Edge at the gateway, yes.

Councilmember Phillips: Okay. So basically, we can build DDC, the edge and then maybe we can use the tourism funds to dot operation and maintenance. You are just basically saying we couldn't use the Preserve tax for it unless we are making a new law?

City Attorney Bruce Washburn: That's correct.

[Time: 01:58:26]

Councilmember Phillips: So I'm sorry, Mayor. I just don't see the benefit of this. Because if it doesn't pass, we can still do it anyway. So I don't know. Maybe we need to reword it somehow or something.

Mayor Lane: Well, it's not allowed as far as the use on the Preserve tax funds now for operation and maintenance, of anything, anything that goes on. In fact, even to my earlier comments with regard to the conservancy request to be some additional funding, we have been thinking and working through the general fund on all of this. My premise here is that, hey, wherever we are on this, there's going to be a carrying cost on the Preserve and it makes ultimate sense that we do this. This is irrespective of the Desert Edge or any decision on that.

I think it's important for us to try to make sure that whatever costs we have, the maintaining and operating the Preserve, and there are some costs is that we don't further burden our operating being with -- it's not a tax source.

I'm -- the land itself does not contribute to our general fund. So this would be one way to make sure that we continue to fund it with the tax dollars that were expressly used for the Preserve. So it's just -- there certainly can be a difference of opinion. From this point in time, we have been paying it out of the general fund and I would like to see that stopped.

Councilmember Phillips: And obviously that's a good point. We could take it out of tourism dollars or something like that. And in voting for this, you know, saying yes is like, okay. Now we don't have to take it out of the general fund. That's a good thing.

But if we vote no for it, it doesn't -- it's not going to stop anything which is what I think people are looking for. So if this is the only thing that we are coming up with here, we still haven't resolved the issue.

Mayor Lane: I'm sorry, Councilman. It won't stop anything. I'm not sure what you mean.

Councilmember Phillips: It doesn't allow to, say -- nothing will be built on the Preserve. It has nothing to do with that.

Mayor Lane: It doesn't have anything to do with that. And frankly this --

Councilmember Phillips: Unless you have more questions coming up, this one doesn't cover that one.

City Attorney Bruce Washburn: We do have more coming up.

Councilman Phillips: All right. Thanks.

Mayor Lane: We'll go with Councilwoman Klapp.

[Time: 02:00:49]

Councilwoman Klapp: I see this as an important step, partly because we have been asked to consider having an annuity to maintain the Preserve and we can't do that unless we allow money to be used from the Preserve for the operation and maintenance. This is for the issues raised by the conservative, as well as the Preserve commission. So from that perspective, I think it's important that we do put in front of the voters a question on whether or not we can use Preserve tax money for operation and maintenance and as was stated this has nothing to do with Desert Edge.

This has to do with using Preserve tax monies for operations and ultimately to be able to develop some sort of long-term annuity for maintenance of the Preserve. So I think it's a good idea, rather than not --

Councilmember Phillips: Okay. I agree with that I may have jumped the gun. That makes more sense for what we are talking about and we will wait for the other questions.

Councilwoman Klapp: Okay.

Mayor Lane: All right. Vice Mayor.

Vice Mayor Korte: Thank you, Mayor. And thank you, Councilwoman Klapp, this is the first step to the perpetual Preserve care fund.

I just would like to raise the question, is -- is -- what makes the Preserve different -- so all of our other amenities, we budget our general fund monies, you know, which it's our libraries or Indian bend park or cactus park or sar, whatever we call Scottsdale and our amenities we use general fund money. And why is the Preserve different? Why are we really looking at a perpetual Preserve care fund and using public tax dollars, tax money to fund that?

It just doesn't seem to be, to me, a good practice. And so I would just like to raise that question for further conversation down the road.

Mayor Lane: Councilman Smith.

[Time: 02:03:04]

Councilman Smith: Well, this will echo some of the concern that was just expressed, because I don't think it's a given that this is a good deal or a good thing to do. The statement was made, quite correctly that we don't have endowments for any other public amenities, libraries, parks, senior

centers or anything else. And by and large, we do not follow a practice of taxing ourselves or our citizens to create savings accounts. And that's what this becomes and when we live off the interest on the savings account.

I'm not even sure why this particular question in isolation is us because it really doesn't have anything to do with the broader question of the Desert Edge or whatever, how to pay for it or what ballot language to go to. Councilman Phillips correctly pointed out this doesn't have in anything to do whether you build or don't build anything in the Preserve related to Desert Edge. It's an interesting question. We have talked about it before. We have expressed both support and concern for it.

And I will go on record saying, you know, that I'm concerned if this is the only thing that westerly asking the voters to do. I will say, however, that there is a -- there is a loaded question out here, which is what are we going to do with all the money that's accumulating in the Preserve account? And that is a question, I think, that does have to be put to the voters.

If we roll the screen forward, maybe we will ask them, what would you like to do with 100% of the money that's left in the Preserve. And this may be part of it. Desert Edge may be part of it. Getting rid of the food tax may be part of it, but this question in isolation, I would prefer not to discuss tonight because it will throw us all off the Desert Edge discussion and going to the voters with that kind of question. Thank you, mayor.

Mayor Lane: Thank you, Councilman. Yes, Councilwoman Littlefield.

[Time: 02:05:25]

Councilmember Littlefield: Well, I too have some concerns about this. I guess I'm just rather cynical in a lot of things. But when you open up the required -- the tax for o & m and you can build anything you want in the Preserve, that opens the door to a lot of things that perhaps the citizens don't want.

I think originally this idea came from the conservancy because they wanted to ensure that they had money to maintain the trails and the trailheads and keep things in good operating condition without having to go back to the voters for additional funding, which is the perfectly reasonable issue and a request, if there's a way to limit this into using it for operations and maintenance for the trails and the trailheads perhaps that's something I would consider, but a blanket open statement that we can use any and all of this funding for operations and maintenance in the Preserve, I would not be in favor of.

Thank you.

Mayor Lane: If I were to follow on that just a little bit, certainly, the question of the Desert Edge is still on the table, as whether it will happen one way or another, I suppose if it does happen by virtue of a public vote, which is certainly what I would prefer to see, or the council making a decision on it, then it would become part of that equation. If it did not, then it wouldn't become part of that equation.

So you would really be talking about the trailheads. I think it's more closely aligned with the

Preserved tax dollars to do something on this order, than it is necessarily to try to compensate or change the taxing, even though I may be in favor of the elimination of the food tax, I'm not sure the application of these funds is where we are looking to do that. I think that's a little outside the realm.

But in any case, I don't know that there is at this point in time, consensus as to whether we bring this back. Let's move on to the next item, I suppose at this point.

[Time: 02:07:32]

City Attorney Bruce Washburn: All right. The next item, the direction received from council, was to bring back an item that would address, eliminate the food tax from the Preserve tax and split the remainder of the Preserve tax funds between maintenance and operating costs and funding for Desert Edge.

So this is what the ballot language would look like and I just trying to summarize what the -- what this says. Basically the idea is that the voters would be asked to approve change in the use of the Preserve tax as of a fixed date for the reason I stated before, you need to pick a fixed date and all the Preserve taxes collected before that date are only -- can only be used for existing uses and after that date they would be used this way. And then the -- the Preserve tax as collected each year would be split into three different funds and one fund would be to pay all the bonds which always has to be a priority with the Preserve taxes, the Preserve taxes to pay all the bonds and also for the planned Preserve land acquisitions and Preserve trail heads, and trails, in other words the -- there are existing planned uses of fund. Then the balance left each year, go be allocated on an annual basis to two separate funds and one of those funds would be to build and operate and maintain a -- we describe it as the desert education and research education center, something like the Desert Edge, and then the second fund would be used for operational maintenance costs for the Preserve, except not for this research center.

So there would be three funds, pay all the bonds and all the planned trail heads and trail improvements, and then the second fund would be -- would have been the amount left would be split into two other funds on an annual basis. One for operational maintenance of the Preserve and one essentially for the Desert Edge or something very much like the Desert Edge. If the Desert Edge is never built, for whatever reason, it does not come to fruition, then that fund rolls over into the operation and maintenance fund. The features of this, again, you need to pick a date certain. The planned improvements that are -- that would be allowed to be paid for from the first of the three funds would be those that are in existing plans approved as of the date that the -- this change went into effect.

As I said, there would be the three funds, one to pay for the bonds and the planned improvements and the rest divided between the other funds, between the other two funds the desert center and then operation and maintenance of the Preserve.

I would like to point out that the money that would be collected, the Preserve tax that would be collected before the date this goes into effect would not be stranded. It could still be used -- I mean,

there would be a substantial amount of money there and it could still be used to pay for existing bond indebtedness, land acquisitions all the things that are permissible under the existing Preserve tax. The Preserve tax, but unlike the prior proposal, which basically just said, yeah, let's add operation and maintenance to the existing permissible uses of the Preserve tax, but didn't require that the money be used for operation and maintenance. This would actually have an operation and maintenance fund which that is what the money would have to be used for.

If there are any questions on this one, I will take them now, if not I will move on to the next one.

Mayor Lane: Thank you Mr. Washburn, Councilwoman Klapp.

[Time: 02:11:44]

Councilwoman Klapp: Do we have to ask to reduce taxes? Do we have to ask the voters to reduce the tax -- to eliminate a tax?

City Attorney Bruce Washburn: Do we have to ask the voters to eliminate a tax?

Councilwoman Klapp: Mm-hmm.

City Attorney Bruce Washburn: I have not been asked that specific question. Subject to check, I don't believe the voters have to vote to get rid of a tax. They just have to be asked to vote to approve a tax.

Councilwoman Klapp: We could say we want to eliminate the Preserve portion of the food tax, without asking the voters to do that?

City Attorney Bruce Washburn: I believe that's correct.

Councilwoman Klapp: If you take that out of the equation, then what is left is essentially putting together an operations -- asking the voters if we can use the money for the operation of the Preserve. But with the addition of what you just mentioned, dedicating where the money is going to go, you are saying that it will go for operations and maintenance of the Preserve.

City Attorney Bruce Washburn: No, because one of the funds in here is also for a -- for -- basically for a Desert Edge. This specifically allocates one half of the remaining money after we have paid off all the bonds, or after we have paid the money on the bonds. One half of that money is allocated for the Desert Edge or something like the Desert Edge, construction, operation and maintenance.

Councilwoman Klapp: But it ties all of it to -- if you do one, you have to do the next and it ties it back to Desert Edge. The first one didn't tie it to anything.

City Attorney Bruce Washburn: Exactly.

Councilwoman Klapp: So I personally like the clean question of should we be doing operation and maintenance in the Preserve with Preserve tax funds as a separate question. And if has to be more clarifying language as requested by councilwoman Littlefield, I would be fine with that, to make it clear exactly why we are having that question on the ballot. But I think this is too many -- too many -- it's asking too many things, one of which is something that we can do already ourselves.

So that's my personal opinion about this particular item.

Mayor Lane: Yes, Councilman Smith.

[Time: 02:14:02]

Councilman Smith: Thank you, Mayor. Well, I was -- I guess, the one that suggested this ballot language, and I will tell you why, two things. I think at some point in time, we are going to have to go to the voters and say, what do you want us to do with the money in the Preserve fund. If we don't do it today, we will do it tomorrow, we will do it sometime, but sometime before 2034, we have to say, what do you want us to do with this money?

While, it's true as Councilwoman Klapp said, the earlier language puts it in an o & m fund. This one has an important difference in that it also allows you to build the Desert Discovery Center and provide the o & m for it and the rest of the Preserve assets and the first language would not allow any money to go towards the building of the Desert Discovery Center.

So the question of whether we eliminate the sales tax on food, that may or may not be something we can do of our own volition but we voluntary not brought ourselves to do that. And I think my reason for adding it here was if we can't make up our mind what to do with it, then let's ask the voters what they want us to do with the sales tax on food.

And I'm going to spare you the speech about what this all cost people to have a sales tax on food that it is substantial. It should be eliminated. So this would be -- this would accomplish receiving direction from the voters that, yes, we want to get rid of the sales tax on food. My colleagues are smiling. They appreciate me avoiding this conversation. But it does receive -- or it does solicit from the voters a statement of what they prefer on the food tax.

But it also very importantly says that half the money will go toward building the Desert Discovery Center, whatever that happens to be and the other half will go towards maintenance and operations. So it's distinctly different than the first ballot. I think it's a clarification that we will need at some point from the voters and I would like to give the voters a chance.

Mayor Lane: Councilman Phillips.

[Time: 02:16:27]

Councilmember Phillips: Thank you, Mayor. To Councilman Smith's point, so if we did this one, a

long complicated, hard to understand one, if this is voted down would that basically say we cannot use Preserve funds to build anything?

City Attorney Bruce Washburn: No. We would still be able to -- if there's no changes to the use of the Preserve tax and the Preserve tax could still be used to build Desert Edge at its current proposed location.

Councilmember Phillips: So you don't need to add that line in this, right? Because you could use the money anyway for construction?

City Attorney Bruce Washburn: Actually the effect --

Councilmember Phillips: The operation and maintenance.

City Attorney Bruce Washburn: Actually the effect -- I suppose that's direct expose for the operation and the maintenance. This directs that the money be used to construct Desert Edge unless it's not used to construct Desert Edge in which case it rolls over into the o & m fund for the whole Preserve. That's correct.

Councilmember Phillips: Okay. Thank you.

Mayor Lane: I just want to ask a little bit of -- and maybe I'm just not thinking this through but Mr. Nichols, exactly how is it that we would unapply or reduce just the Preserve tax monies by this amount or by these amounts?

City Treasurer Jeff Nichols: Mr. Mayor, when you are talking about taking the -- reducing the sales tax on food away from the equation?

Mayor Lane: Yeah.

City Treasurer Jeff Nichols: One way I heard but it's up to the city attorney. I learned that the council could set a rate of 0% of food consumption within the city and that way you would not --

Mayor Lane: So on anything, not just -- not just the Preserve tax.

Councilman Smith: But mayor, if I may, I think the way you accomplish this language is for food purchases, the rate would simply go down to 1.2.

Mayor Lane: So you are not isolating the Preserve tax in there. Yeah, that's the answer to that question. Thank you.

Yes, Councilwoman.

[Time: 02:18:46]

Councilmember Littlefield: It seems like we have too much money in our Preserve tax fund or will have.

I know we talked about this several times over the years that I have been on the council and one of the suggestions was made that we just stop the tax early. If we don't need it for buying additional land or building the trails on the trail heads which is what we promised people, stop the tax in 2027, or 2028, we can do that, by council order, and allow that tax rate to drop again so that people don't have to pay it, and puts it back into their pockets. We could still have enough income coming in to do an annuity to maintain the trails and the trailheads and have the fund for that. And then we would not have additional funds that were not necessarily for the maintenance of the Preserve that. Was one thing that hasn't yet been brought up, but I know we did discuss that in previous council meetings.

This one, I think, is way too complex. I don't like the fact that it specifically says we will use this money to build the Desert Edge when we haven't determined whether or not we are going to build a Desert Edge yet. I think it's premature. And I really don't care for the complication of it, I think it's hard for people to understand it. And I think that it's not appropriate at this time. So that would be my direction.

Mayor Lane: Thank you, Councilwoman. Oh, I'm sorry. Mr. Nichols.

City Treasurer Jeff Nichols: Just a cautionary note, if you will, we already sold G.O. debt related to the Preserve of significance and the last payment on the G.O. debt is 2033-34 so extinguishing that debt prior to that may be complicated.

Councilmember Littlefield: I thought that we had determined that we had the money coming in between now and then to pay off all the bonds and the debts.

City Treasurer Jeff Nichols: No, what I'm saying the last debt service payment is in 2033-34. So as long as that debt is outstanding, I think we have an obligation to collect a Preserve tax because that's what we told people in the offering statement, the bond buyers what we were going to use to pay back the debt.

Councilmember Littlefield: If we leave the tax on until 2034, will we have more than what we need to pay that bond off?

City Treasurer Jeff Nichols: Yes.

Councilmember Littlefield: Then can we just accumulate what we need and then stop the tax?

City Treasurer Jeff Nichols: I think it's more difficult conversation to have than just that.

Councilmember Littlefield: I would like to have that conversation.

City Treasurer Jeff Nichols: I will make note of that.

Councilmember Littlefield: Thank you.

Mayor Lane: I'm sorry, Mr. Washburn. Did you want to chime in on that?

City Attorney Bruce Washburn: No, actually Mr. Nichols addressed the issue that I had in mind, which is that before we do anything with the Preserve tax, we need to consult with bond counsel to make sure that we are not violating the bond covenants but how we can go about that and not accumulate extra, we can have that conversation.

[Time: 02:21:59]

City Attorney Bruce Washburn: The next direction we received from council was to address amending the city charter to allow construction of the Desert Edge in the Preserve but prohibiting future projects of the similar size, scope and location, and amend the charter so that just the Desert Edge is allowed to be built and nothing else like the Desert Edge.

So this is not the actual ballot language. This is what the amendment -- this is what the voters will be asked to vote on, do you want to amend the charter along these lines? And basically, there's three prongs to it.

The first one in paragraph A says that there won't be any new construction in the Preserve without approval of the citizens of the special election.

The second one says that the forgoing notwithstanding, and this is essentially intended to describe the Desert Edge or something like Desert Edge, the building of not more than 50,000 square feet on not more than 6 acres and located at -- and we would come one some sort of description that would fit on a ballot in identifying where the Desert Edge is supposed to be.

And then the third item says new construction, which is otherwise prohibited, shall not include and then it's the construction necessary for already planned trailheads trails and then construction necessary to basically protect the health and the safety of the citizens.

So that's the -- that's the basic concept that citizens are asked to amend the charter, to prohibit new construction without a note, but to allow construction of the Desert Edge at its proposed construction and also allow construction necessary for the trails and the trail heads that are already planned and also to protect the health and the safety of the citizens.

And as I said, we have to figure out some way to describe what the location is, where the Desert Edge could be built. It doesn't have a three-page long metes and bounds description. New construction is itself not defined. I think the construction is a term that's generally understood and it's different from operation and maintenance, but the way this works is that while new construction is not defined, the exceptions, you know, existing planned trail and trailheads and the necessary to protect health and

safety, kind of identify what new construction isn't at least. The -- you know what trails and trailheads are allowed is whatever was existing at the approved time, the charter took effect.

And then this last point, might or might not turn out to be important and that is that charter amendments have to be approved by the governor whose office reviewed them for legality and they don't go into effect until they are approved by the governor which usually is not an issue. I think our last few charter amendments have been approved probably 60 days, 90 days. I don't think they went out that far. On the other hand, the city of Tempe had a charter amendment their citizens approved and the governor's office didn't approve it for a year. I'm not sure it would be an issue or a problem. It's a fact that the city doesn't have control over when exactly any change to the charter would take effect.

[Time: 02:25:37]

Mayor Lane: Thank you, Mr. Washburn. In it that this was an issue to try to bring the issue to a vote in a legal manner you described earlier, the fact that our charter requires that we can only refer those things that are -- that we are legitimately can vote on by -- through council vote, that on legislative matters. And so trying to put this into a legislative format, primarily is by moving it to a vote on the charter, is sort of gotten us into a situation which is somewhat challenging, really to explain and frankly to be accepted and understand there's a bit of a mixed message in this. If we were thinking strictly about trying to get the public to weigh in on this subject, not necessary by effective law, because we do know that this can go two different directions on it.

I'm personally concerned and understand the situation but what has been called out for an up and down vote on, it as in a survey like administrative issue, a survey on that, is not something I have been told and understand to be even by reading our charter that it's a matter that we can put on just that simply. We are not in the business with the voters of taking surveys and administrative matter has to be constructed in this way. It's not a perfect animal.

And something that is infectious and not to mix things up and have multiple things on one, maybe even a question that might be for a charter amendment, and that's to keep them simple. In fact, I think the individual indicated even just the old expression K.I.S.S., keep it simple stupid. And I suppose that's a matter of having some -- have some real play in something like this particularly when there has been so much concern on all sides as to how this might get communicated or how it might get decided without the voters' input.

My -- my thinking on this is if, in fact, we can simply have the one issue that's indicated and be different language, of course, but nevertheless on the same level. Since we can't call out this proposal because it would be an administrative decision defining it and saying, would you be in favor of the construction of a building or -- yeah, of not more than 50,000 square feet, or frankly I should say maybe put it differently, an amendment that limits it to a building of not more than 50,000 square feet and not more than 6 acres would be permitted.

The answer to that question could be yes, I would. And, of course, it could also say, no I wouldn't.

But unfortunately, even there, with that kind of language given where the charter is right now, and leaves everything just right where it is. But it is a clear indication to the public as to how the public feels in a Bona fide election of voters. And so I -- I think that is probably the closest thing I can think of, of coming to getting the -- the public to weigh in on the issue.

And so I'm -- I'm at a bit of a loss, and those here at this table, particularly our staff are aware that this is not perfect, even what I'm proposing. It's certainly not a perfect answer to this situation. But I do think we want to and we owe the public the ability to weigh in on this. And somehow or other, we need to be able to do that and so I'm -- I'm absolutely determined that this would be saying something that -- to everyone at this table as to whether or not they would want this project. I'm talking about the voters.

I'm talking about as I have just amended it, just taking b and I don't know -- and Mr. Washburn this may be subject to some additional thought on this, as to whether this meets the legislative element that is required for anything we submit to the public. I would like to have that considered.

And at the same time, what I have think would be important and it's very important to me, that on the other aspect of it we wait and see since it's already in process, we withhold any decision on this, as to which time the current petition that's out there right now to determine whether it be an amendment to the charter in restricting a building on the Preserve. We wait and see where the public weighs in on that.

In fact, it's a comment that Councilman Phillips made the last meeting, why not just wait to see what the results of that particular vote was. And I have come to agree that that's already in motion. It's a proper petition. It's going through the referendum, the legislative referendum process properly. So that's already there, one way or the other.

And I know that there's at least some who are concerned about how we move forward on this and this entire project, given some of the information we have heard tonight, and, frankly, how we would want to proceed one way or the other on this site, whether there's other considerations or evaluation of some of the events. Just seeing what's out there. Now, I don't have the language for that, but I -- I personally believe that I would like to look to see if there's a legislative way to have item b at least be voted upon.

[Time: 02:32:04]

City Attorney Bruce Washburn: Just to make sure I understand it, mayor, you are saying basically propose a charter amendment to the citizens to vote on.

Mayor Lane: Right.

City Attorney Bruce Washburn: That says would you want to amend the charter to say that it's permissible to build --

Mayor Lane: Not Desert Edge obviously by name.

City Attorney Bruce Washburn: Describe it differently, but actually get at that issue that way and take out all the banning, you know the new construction.

Mayor Lane: Or the exceptions or anything else. Those are all -- well, one of them would be an approach and thankfully would be answered by whatever happens -- or the success at the ballot box by a petition that's in the works right now.

City Attorney Bruce Washburn: I would want to take a look at that to make -- you know, I don't want to say, oh, yeah, I'm sure we can do that, until we do the research on it. That being said, my initial reaction is yes, we can do, that subject to check.

Mayor Lane: Okay. And the second part of that, I would ask whether or not this council would concur with holding off on this decision with some review of additional -- other sites, potentially, and maybe other applications of this same project going forward.

Councilman Phillips?

[Time: 02:33:30]

Councilmember Phillips: Thank you, mayor and if I may, I think what you alluded to earlier, maybe to say it in a different way is that, you know, if we went ahead with this, barring that the referendum didn't go through, and the voters voted on this and let's say, they voted, you know, 80-20 not to do it, we could still do it, but we know the voters said 80/20. I mean that would be -- that would be a -- you know, a pretty good resolution for us all. I mean, in that point it makes sense.

Any other thing was and you mentioned me talking about that last time, maybe the clerk has this, if we should have something in place because if the referendum doesn't go through, do we have time to do something this it might be too late by then. I think it's June. We have to have something in place, but if the referendum doesn't go through, because it would have to be done pretty quick.

[Off microphone comment]

City Clerk Carolyn Jagger: The council to break in July. So the petitions are due back, I believe, the date is July 5th. We -- and that is set up so that there's time to do the complete review because the petition would automatically go on the November ballot. It would be tricky, not impossible, to get some things lined up, so that we could move forward if the petition wasn't filed successfully.

If the petition is filed, and we have a lot of validation process, there might not be enough time to -- to also put something on the ballot that the council -- the council has questioned. It's just tricky.

Councilmember Phillips: Would it behoove us to have something placed on the ballot and if it does go through, we can remove it?

City Clerk Carolyn Jagger: Well, the final language is due to the county by the end of July, roughly. So it's a tricky -- it would be very tricky to put something on. Once that deadline hits, they literally start preparing the ballot the next day.

Councilmember Phillips: I have faith in you.

[Time: 02:35:59]

Mayor Lane: If we are talking about another measure all together, there is a petition in process and that has the greatest likelihood on the timetable to reflect where the public is on it. So I'm -- so I think that can stand by itself and I think if we have a vote, and albeit just as you indicated, councilman, the fact remains that a yes is just an affirmation that, yes, we would allow it, and a no is certainly we wouldn't allow it, but it really doesn't carry any strength in law. The yes is already really actually there in a certain sense and then the no could be rescinded.

And so it's -- but at the same time, I think that the council -- and it's an honorary -- it's an honorable group that we have here, would certainly take into account any kind of significant -- you know, any kind of vote against him, to heart.

Now on the second part of it, it's not so much the ballot language, but I would like to at least explore that and I would like the council to consider the possibility of following through on that, with the one caveat, and that is we continue to look and explore some other alternatives as to how and where this might go and how it might even be funded.

But in the meantime, I would like as crystal clear a picture from staff as to how this all lays out with the least amount of damage to the taxpayers in any sense. The use of the funds that we use, that are available for us. I am ardently opposed to burdening our general fund which has difficulties in and of itself in maintaining its -- you know where our funding is on that. And then if we reduce some taxes that are coming in now, even further, it will put more pressure on it.

So I would like to see if any of this goes, that it's lined one those funds that are available for it, to the extent that it can be. In both capital and in operating. Any -- yes, Councilwoman.

[Time: 02:38:20]

Councilwoman Klapp: I will speak to a couple of things that you mentioned. My sense is that, you know, if we -- we have talked about several issues here that we don't have agreement on. And I don't know if we are going to have agreement on this one either. And so I do believe that what you suggested that we start looking and asking the staff to start looking at a couple of other locations, is probably appropriate at this point. Because I don't know if we are going to come up with any solution here in this council that's going to be acceptable to the majority.

And so I -- my feeling is that -- and I don't know how the rest of the council feels about this, but that we ask the staff to look at a couple of other locations that would not be in the Preserve. And that

would be -- one could be the location of -- that's been suggested to us by a number of people to take a look at the location, and there are probably one or two other locations that are city-owned property that we take a look at as well, and that could be done while we're waiting for the results of these petitions that are circulating and possibly coming to go a vote for the electorate. At least we would be taking a look at other potential locations.

I am concerned about the cost, and whether or not, if it were -- if we could potentially look at the -- the project to be placed somewhere else, whether there's some cost savings involved in doing that. I would like to see the administrative portion of this to be combined with Desert Edge so that you don't have the extra costs of a separate administrative building and as well as the additional parking that's necessary for that. So that would be another concern of mine.

The overall cost, we're trying to go find ways, to find enough money in the bed tax, and the Preserve tax to fund a project that's now \$68 million, not \$61 million, and, you know, any way you cut it, we are going to pretty much deplete these funds and I'm getting concerned about this. Hopefully there's a way that this project could be depleted for less money elsewhere, as well as have -- we need to be taking a look at some of the numbers, again, as was suggested. I was not really opposed last time to having the -- the original people that put this together go back and redo their numbers based on questions that I had, and if they could be allowed to take a look at that for, you know -- for some length of time, there might be ways that they can see that the numbers could be trimmed down in such a fashion that the project could come in for less.

And also, I think they are the people that have started the conversation with A.S.U. and they could be the people that tried to better clarify what that agreement will be, so that, you know, I'm not comfortable at all with the city paying over \$7 million for a building to be built at this project and then it's housed by A.S.U. personnel, and yes, they bring it to the table but we are still paying for the building, but that project -- that portion of the project still needs to be discussed further and clarified and find out if there is such a way, that that money could be raised privately and not require the city to fund the A.S.U. project as part of Desert Edge.

So those are some of my main concerns about -- about doing anything at this point because we have got so many questions on the table of ballot language and whether or not we can get -- we can't get agreement even on asking for operation and maintenance fund for the Preserve. I'm not sure if we will get anybody to agree on any course of action right now that will lead us to a decision tonight that we will move forward on Desert Edge.

Mayor Lane: Thank you, Councilwoman. Yes, Councilman Smith.

[Time: 02:42:46]

Councilman Smith: Well, just quickly, I will say that I agree with all of those suggestions that were made by Councilwoman Klapp. I mean, I think we should be asking the staff or whomever to look at other locations. I mean, it's part of our due diligence on any project to make sure that we have cited it at the best place that it could be cited. We talked a couple of years ago when the contract was

awarded about looking at other sites and we did not achieve consensus among council to do that.

But I do think that it's necessary and I think it's necessary to look at the capital cost. I don't take it as a given that we are now art 68 versus 61. I think we probably have to take it a step further and get some due diligence on the capital cost.

I would like to see people looking at the operating cost and doing the due diligence there, as we have discussed, the A.S.U. relationship. I agree there, we ought to try to refine that.

I think we are ahead of ourselves on coming up with some kind of a voter ballot language. Particularly if we are talking ambiguously about building a building and whatever. We don't -- so I'm -- I support what was said.

Mayor Lane: Well, if I might just for clarification, neither language, as far as asking for a vote, yourself or either one of you, or waiting to see what happens with the petition. So --

Councilwoman Klapp: Well, I think we should wait to see what happens with the petition. We will probably be at the same cycle of things at the very least.

Mayor Lane: That can stand by itself, I suppose. I was looking for an opportunity to give an opportunity to actually get voters to vote on whether they are affirmative or negative on it irrespective of its consequences and that also could be on the same.

Councilwoman Klapp: I would think, Mayor -- excuse me, I didn't want to interrupt it. It will take a mile to look at another location. This is a three-month process.

Mayor Lane: We are not making a decision until whatever becomes of the election when the -- when 89 petition would be.

Councilwoman Klapp: Right. In July.

Mayor Lane: So we are talking about quite a number of months away on that. Councilwoman Littlefield.

[Time: 02:45:12]

Councilmember Littlefield: Thank you, Mayor. I too think we ought to wait on the petition, to see what happens with that. I think a number of the things that were discussed here tonight are premature.

And also, I can't really like this council direction for the charter amendment, I'm sorry. But it allows the construction of the Desert Edge and if the voters don't want the Desert Edge on the Preserve, they don't really have an opportunity to say that here because if they vote no, they are allowing construction on the rest of the Preserve. So what's to stop somebody from picking up the edge,

changing its name again and putting it at Tom's Thumb? Or anywhere else? They could do that and they would have the ability then to say, but the voters approved it because they voted for construction anywhere else on the Preserve, except at the gateway.

And so I don't -- I don't like that kind of push/pull thing. If we made it into two separate questions, I could go with that.

Mayor Lane: I'm sorry, you know I'm only suggesting the one question.

Councilmember Littlefield: Yeah, I know. But I just have a personal problem with that, because I don't think that gives our citizens the choice that they are asking for.

Mayor Lane: Then, if I might, let's satisfy what the petition says. The petition will shut it down if it's successful in getting to the ballot and it's voted that way.

Councilmember Littlefield: I think that's the best thing to do at this point.

Mayor Lane: Maybe we leave it at that, particularly since I have little support to try to get what I would have -- an indication of an up and down. That's all I was looking for.

Councilmember Littlefield: If the petition doesn't work out. If it doesn't get finished, then I do support a public vote. I think this -- this issue has torn apart our city, and it's torn apart our people and our council and it needs to be mended. It needs to be fixed and the only way we can do that is a fair and honest vote. I think we have to be able to do that if the petition doesn't go through. Anything else doesn't. It's the only way to heal these wounds and heals Scottsdale.

Mayor Lane: One of the things that may end up happening it may all be decided before that.

Councilmember Littlefield: That's true.

Mayor Lane: In an effort, an agreement to have even what is essentially sort of a machination of working this through as an administrative matter, it doesn't really speak to some of our concerns and some of the others that maybe feel the same way. But anyhow, I think I understand from where you are coming from. Yours would be an exception, though, not to proceed with other alternative sites?

Councilmember Littlefield: My advice is to see what happens with the petition. Go ahead -- I do actually support looking at alternative sites and Taliesin, that would solve many issues with the Desert Edge if we move it off the Preserve and into another area where it can be perhaps a tourist draw not only for the edge but for other things too. And work that together. I would be very supportive if looking into that issue.

Mayor Lane: Okay. Thank you. Councilman Phillips.

[Time: 02:48:51]

Councilmember Phillips: Since Councilwoman Klapp brought that up. I want to look at alternative sites too. I didn't see where we were discussing that. I would love to see it at Taliesin, but when you consider construction cost, probably the 80 acres will be are flat land and it will be probably be cheaper than building on the slope. I think that's really the only two other sites. I sure would love to have staff looking at that. You can give us a very precise cost of what it would be and actually working with Taliesin and seeing what type of business plan we could come up with them.

I think that could be a win/win and if we are talking about funding, I think that was the reason why they said let's put it on the gateway, so they can use the Preserve funding. We put it at Taliesin or put it at the 80 acres we can designate that Preserve land and still use the Preserve funding. So I think that's a good alternative.

I have to think that the majority of the folks aren't against the project. It's actually a pretty good project and it would be good to see in the city, we just don't want to see it at the gateway and obviously we don't want to see it at Toms Thumb, either. So if we can get this project, and we can get it at another site and possibly, you know, reduce it by 10 million by having a flatter slope, hey, this is a win for everybody. So definitely agree on pursuing that.

Mayor Lane: And then also certainly to wait until the results of the petition are up. Is that right? I mean, I think you are --

Councilmember Phillips: I guess we have to wait for that. But like Carolyn said, if you wait for that and they don't do, it then we've got nothing. So then what will we do? So I guess nothing we go to the ballot at that point but we can still keep discussing it. I guess if we decide if we have the four votes to find an alternative site, we wouldn't have to go to the ballot.

Mayor Lane: Thank you, Councilman. Vice Mayor.

[Time: 02:51:05]

Vice Mayor Korte: Thank you, Mayor. Thank you, Suzanne, for bringing up the possible -- you know, the relook at locations.

You know, we have had two location studies already done in the last, I believe, seven or so years and all of them did come up with the gateway as the best location, but let's look at it again. Let's look at it again in regards to costs, costs of construction. But I want to make sure that we include all the potential sites and maybe a couple more that were not included in the prior location studies, but have come up through the last several years of dialogue. So we certainly want to keep the gateway in that study and Taliesin west and the 80 acres. I know that WestWorld was put out there and I know Pima and Dynamite was once put out there.

Downtown was once put out there for a site, somewhere in downtown. I don't know where, but somewhere in downtown and also, you know, Bell and Thompson Peak that, northeast corner of Bell

and Thompson Peak has been bantered somewhat around to be a site that really puts it at the edge of the Preserve, and more accessible and visible to our citizens and -- and visitors. So, yes, let's move forward with that.

I agree with several other councilmembers that I don't think there's a consensus in any of these ballot issues, as Councilwoman Littlefield said. It's premature. Let's wait for the results of the citizen's initiative that is coming forward.

So what I would also like to suggest and have some conversation around, that I know all of us agree that this project is a good project. We just don't disagree on location. We don't disagree -- but, essentially Desert Edge and I think we can all nod our heads that this is -- this is an incredible project that we want to have built. We disagree on location, but we do believe that this Desert Edge is a concept and a project and a vision that is innovative and creative and will really take Scottsdale to that next level of -- of worldwide notoriety.

So I would hate to see that -- that because we are going to go look at more locations, we are going to wait for the citizens petition that this thing just goes into limbo. Perhaps there's a way to move it forward and without it being tied to a location and that would be to develop an RFP and a job description for a construction manager at risk and that way we could move this thing forward. That's going to take several months, particularly would the holidays, and that construction manager at risk and that whole process. Then we could be ready to -- to really start this project and get this project going when these other variables are better defined.

Mayor Lane: Okay. Thank you, Vice Mayor. Councilman Smith.

[Time: 02:55:12]

Councilman Smith: Thank you, Mayor and I do agree with the comments that we should keep the project moving forward. I mean, I don't -- I certainly don't want to just sit and wait and see if we are going to get a charter amendment or a ballot proposal or whatever. I support the idea of developing this RFP for a construction manager at risk.

I just want to clarify when I talk about looking at other locations, I'm not just looking at a -- I don't want to just look at a cheap place to build this thing. When we look at other locations, it's got to encompass not only a cost of construction but the likely operating scenario. You can build it cheap over here but if nobody comes there's no point to building it. And some locations may enhance the operations but I want that to be part of review.

And one other thing that we haven't talked about, which again, goes back to some of the discussions we had when the contract was let two years ago. The last time we talked about this six weeks ago, the one remaining item was the staging discussion of bringing this in in stages as opposed to work, just all at once. I want to see some thought given to that last item, that last deliverable on the contract as far as staging is concerned. So staging, other locations, continue to look at the economic impacts, both capital and operating costs, sharpen the pencil, further talks with A.S.U.

There are a lot of things we can talk about, between now and waiting for the petition to materialize. I would urge you to move forward on this. Including by the way, but we didn't talk about this, the economic analysis and the economic impact study. I would like to see that done so we know the impact of what we are talking about. Thank you, Mayor.

Mayor Lane: Vice Mayor.

Vice Mayor Korte: Just quickly. Completely agree. I also think that the quality of experience must be preserved so the quality of experience. So to place it in a desert that's two dimensional and a couple of sage brushes that won't maintain the quality experience that the gateway does for us. I have think that's really important along, of course, with costs and accessibility. It's got to be accessible to visitors and our residents and other people in the valley.

Mayor Lane: Thank you, Vice Mayor.

[Time: 02:57:58]

Councilwoman Klapp: Mayor. I'm a little concerned about doing an economic impact study when we don't know where it's going to be. I don't know how you figure out the impact of a project until you determine its location. So until we determine the location, I wouldn't agree with going forward with an economic impact study.

Mayor Lane: You know, would concur with that myself.

Councilmember Littlefield: Yeah, I would concur with that also.

Mayor Lane: Well, we have one other item, as far as the general plan. I don't know where we are given the statements and where we are at, whether this is something we want to review.

Councilwoman Klapp: Well, it was my idea and I will withdraw it.

Mayor Lane: Okay.

Councilwoman Klapp: I think we are already headed down a different path. So let's do that.

Mayor Lane: Let me just -- I'm sorry. Councilwoman Milhaven.

[Time: 02:58:51]

Councilmember Milhaven: I was just going to weigh in. Here's what I heard. Wait for the citizen petition to see if it comes forward. I agree.

Research other sites. I think we have done it and done it and done it, but if we need to do it again, I

mean intuitively, if we are looking at reducing costs or add the opportunity cost to that land we already have, putting it outside the Preserve intuitively says it will cost more, but it gives people comfort to do it again, I'm okay with that.

I absolutely think we need more detail on the A.S.U. relationship. So I'm glad to see we invest some time in moving that forward.

And I really like the idea of the construction manager at risk. It allows us to bring on resources that will help us clarify the construction costs without spending any money. And so, it will -- it will give us resources to help us do our due diligence and Councilman Smith said, he wanted more due diligence on construction, operating costs. Economic impact study I have think you make a good point that if you don't know where it should be -- I think we probably wait on that. I think moving forward with the construction manager at risk is a good idea.

Thank you.

[Time: 02:59:57]

Mayor Lane: Thank you, Councilwoman.

Well, with all of that being said, one thing about it and it was already mentioned, it's been mentioned a couple of times, it would be nice if we were able to somehow or other by considering other sites potentially and also considering the results of whether it's the petition or if there's not to be an accepted role by this council to have something specifically to address and to have a weigh in separately from that. That's one thing.

But somehow or other, we want to get to a point where we have got community together and understanding on this thing, whichever way it may go, and I think it's important for us as a council to make sure that we are not necessarily looking for the cheapest thing, but that we are looking for the most -- the most reasonable application of the funds that are available to us, from any and all sources and that they are applied consistent with the way they have been originally made available for these types of things.

So I want to certainly -- you know, I don't know if there's any other comments at this point in time. I think we were at the end, since we dropped the general plan item out. I hope there's been some significant or -- obviously you will have to disregard because there was no consensus on the item I mentioned to you earlier. But I think we have got a little bit of a read as to how to move forward and hopefully we can do that in a solid and civil way.

So thanks, everybody, for the input and for -- for staff or all that you have done. So thanks so much. And thank you, council.