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CALL TO ORDER

[Time: 00:00:02]

Mayor Lane: Good evening, everyone. It's nice to have you here. I would like to call to order our May 23rd, 2017 City Council meeting, it's a regular meeting, and we'll begin with a roll call, please.

ROLL CALL

[Time: 00:00:12]

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Suzanne Klapp.

Vice Mayor Klapp: Here.

Carolyn Jagger: Councilmembers Virginia Korte.

Councilmember Korte: Here.

Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

Carolyn Jagger: David Smith.

Councilman Smith: Present.

Carolyn Jagger: City Manager Jim Thompson.

City Manager Jim Thompson: Here.

Carolyn Jagger: City Attorney Bruce Washburn.

City Attorney Bruce Washburn: Here.

Carolyn Jagger: City Treasurer Jeff Nichols.

City Treasurer Jeff Nichols: Here.

Carolyn Jagger: And the Clerk is present.

[TIME: 00:00:33]

Mayor Lane: Thank you. Just some items of business. We do have cards if would you like to speak on any of the items that are on the agenda or for Public Comment. Those are white cards the City Clerk is holding up over here head and we do have also yellow cards if you would like to give us some written comments on any of the agenda items. Those are the cards she is holding over her.

We have Scottsdale police officers Jason Glenn and Jeremy Maki. They are out here in front of me. And if you have any need for their assistance. The areas behind the Council dais are reserved for the Council area for staff and there are facilities over here to my left, under that exit sign if you have need for bathrooms. And if you are having any difficulty hearing the proceedings, there are hearing assisted headsets available from the City Clerk's office, at her counter here and ask staff if you need one, you can just ask them for that. That covers some of those items.

PLEDGE OF ALLEGIANCE

[Time: 00:01:45]

Mayor Lane: We will start our meeting with the Pledge of Allegiance and this evening we have Troop 1667, whose leader is Anita Elko to lead us in the pledge. Ladies, if you want to come forward and if you can please stand.

Girl Scout Troop 1667: We pledge allegiance to the flag of the United States of America and to the Republic for which it stands. One nation, under God, indivisible, with liberty and justice for all.

Mayor Lane: Thank you ladies, if you want to, please turn the microphone around or we can get someone to assist you with that. And then..... If you can tell the audience where you go to school, what your name is, and where you go to school and what your favorite subject is.

Girl Scout Troop 1667: My name is Peyton, and I go to Basis Scottsdale and my favorite subject is math. My name is Karla and I go to Liberty Elementary and my favorite subject is reading. My name is Addie, I go to Liberty Elementary and my favorite subjects are reading and P.E. Hi, my name is Kate, and I go to Liberty Elementary. My favorite subject is reading. Hi, my name is Genevieve and I go to West Wing elementary. My favorite subject is math. Hi, my name is Lana. I go to Liberty Elementary and my favorite subject is writing. Hi, my name is Maya, I go to Liberty Elementary and my favorite subjects are writing and art.

Mayor Lane: Thank you very much, ladies. Appreciate it.

INVOCATION

[TIME: 00:03:35]

Mayor Lane: Tonight, rather than, in lieu of an invocation, I would ask us to take a moment of silence to remember those killed and injured and the survivors of those who have been killed with a moment of silence from the Manchester bombing. Thank you.

MAYOR'S REPORT

[Time: 00:04:04]

Mayor Lane: One other item that we would like to at least let our community know is that we have the passing of Lorraine White, and Lorraine White was Scottsdale native, and a wife of the city's first Mayor, Malcolm White. She passed away April 28th. She was born January 19th, 1929 in Scottsdale, Arizona. She attended Scottsdale high school and was crowned Miss Scottsdale in 1947. She married Malcolm White in 1951 and it was he who coined the phrase "Scottsdale, the west's Most Western Town." Lorraine is remembered as an incredibly generous and loving person whose friends

enjoyed gathering with her and her family for holidays. She will be greatly missed.

PUBLIC COMMENT

[Time: 00:04:59]

Mayor Lane: Next order of business is the Public Comment. And Public Comment is reserved for citizen's comments regarding non-agendized items with no official Council item taken on these items. Comments are limited to issues within the jurisdiction of the City Council. Speakers are limited to three minutes each with a maximum of five speakers. There will be another opportunity at the end of the public meeting for Public Comment. We have four cards requested, and we'll start with Betty Janik.

[Time: 00:05:43]

Betty Janik: Well, thank you, Mayor Lane and City Council to give me the opportunity to speak today. I have been here before. I'm here with Howard Mayer and Kate Conway and I want to announce that we have established a \$25,000 matching fund for Protect Our Preserve for the legal efforts from an anonymous donor to stop the development of a desert discovery center in the Preserve. A Notice of Claim will arrive soon at City Hall, demanding that the city of Scottsdale suspend development and expenditures of public funds for the DDC until a city vote is held. No DDC and Protect Our Preserve have joined forces in this effort. Here we go. Okay? No DDC and Protect Our Preserve are working together and are 100% behind this. Ms. Pat Shaler and Mr. Mike Norton from No DDC are contributing legal efforts and legal research with the value in excess of \$100,000 in this effort. Protect Our Preserve is collecting the funds who will contribute up to \$25,000 in matching funds dollar for dollar to the Protect Our Preserve account. These funds are designated to cover the costs for our legal action, to halt a DDC in the Preserve without a vote. To date, we have collected over \$9,000 from our supporters and an additional \$9,000 from matching funds, so we are at \$18,000 and we still have more matching funds if you would like to contribute.

This includes all these people, and the lawsuit is a partnership between all of who hold the Preserve dear. This includes Protect Our Preserve with Howard Myers would has been a protector of all things Preserve for over 20 years. Myself and Kate Conway are helping to spread the word through community outreaches and conversations with over 5,000 people Jason Alexander of No DDC, with the timely research and FOIA disclosures reaching over 1,000 followers regularly on Facebook and, again, Pat and Mike with their legal support and finally, our loyal supporters.

I just want to remind Mayor Lane and City Council that you have underestimated the depth of resistance. However, with the new funding, and combined efforts of No DDC and Protect Our Preserve on the legal front and our growing petition effort, we will preserve. We will prevail and we will save the Preserve from the bulldozer. And I think it's interesting that as my husband was paging through the magazine, he found this quote and I think it's particularly pertinent to us tonight. "Never doubt that a small group of thoughtful, committed citizens request change the world. Indeed, it's the only thing that ever had" and that's from Margaret Mead. So thank you for this opportunity.

Mayor Lane: Thank you Ms. Janik. I would like to make a little bit of a reminder that we need to be careful not to talk about things that are outside of the jurisdiction of the City Council and any program or campaign that's been established. Mr. Washburn, I don't know whether that's been an issue at this point in time.

City Attorney Bruce Washburn: I didn't understand her to be campaigning in those comments.

Mayor Lane: Thank you. Next would be Christie Kinchen.

[Time: 00:09:10]

Christie Kinchen: Thank you Mayor, Vice Mayor, City Council for allowing me to speak today. Kind of following up from my partner here, this is my story, and my plea to you all. My name is Christie Kinchen. I have lived in Scottsdale for 38 years. My family has lived here in Arizona for four generations, 70 plus years of my family has been selling land and real estate here in the Phoenix metropolitan area. My mother raised my twin sister and I to be compassionate to appreciate nature and to be kind to all living things. We were raised in Scottsdale, still live here and run a successful real estate brokerage called Twins and Company for the last 17 years. Our mother Karen Bertiger had a successful real estate career called the Golden Desert Capital Corp and we moved to north Scottsdale in middle school and lived in Troon. And my mother noticed that there was encroachment on the McDowell Sonoran desert.

She banded with some pals to do something about it. My mother was an original founding member of the McDowell Sonoran land trust and filed the original paperwork. Her friend Jane Rau and the other advocates in her corner joined her to create the massive preservation efforts and I wanted to see if you all had read the people's Preserve, it's an ebook that says a little bit about the Preserve, talks about my mother and her friends and how the Preserve began. And there are some quotes in this from the City Council about how important this was and how it was important to our state and to future generations to preserve. And I just wanted to, I guess, understand a little bit more where that compassion went to protect our desert and I have a copy here and I'm happy to email it around as well.

And then also currently on the city of Scottsdale website, it says the Scottsdale, McDowell Preserve is a large preserved website and that's directly on the city of Scottsdale website and I just see a problem with that, with bulldozers and constructions and buildings possibly going in. Taxpayers have paid to protect this desert and I just don't understand why we would build on that. And basically, the Desert Discovery Center could be built anywhere besides preserved land and that's why I'm here. My story is a little bit more complicated in why the Preserve means a lot to me besides my mother founding it. I'm a three-time suicide attempt survivor, and I hike the mountains for serenity and to not be on medication and it's basically by anti-depressant. So it means a lot to me, just to be alive there and see the nature and not be disturbed by vehicles and buildings and it's peaceful and calming and helps me with my stressful days and it means so much to me on so many levels. I know I'm over time, but also just from a real estate perspective, silver leaf has some of the highest real estate values in the

state, and the reason why is that the Sonoran Mountains are our beach front. So I just, I hope that we can put the DDC somewhere else and preserve our majestic desert and I'm just pleading of you that we can preserve my mother's legacy and what her friends had originally. Sorry to go over.

Mayor Lane: Thank you. Next would be Jason Alexander.

[Time: 00:13:26]

Jason Alexander: Hi, Jason Alexander, 9976 East Jasmine Drive. I represent the No DDC organization. And today, I want to talk about the tilted playing field that the DDC is playing on. Playing to their advantage. Fighting the DDC oftentimes feels like we are going uphill over rocks. For about seven months now the DDC has, for all intents and purposes, avoided all publicity. They promised a public outreach event in April, never happened. They have not published any updates. Their records are not coming back anymore in public records requests. Their meeting notes, their board meeting notes we're no longer getting ahold of. They've moved almost all of their activities, day-to-day production and project planning, to a system called base camp, and because it's there, the city seems to have taken the interpretation that they don't have to share it as public records.

So what does all of this mean? It means that while we can agree to disagree about the project, the finances, the records, the discussions all need to come out. They all are public record. They should be honored as public record. We should take the transparency of this organization seriously. I'm going to start with a specific criticism of Ms. Korte. Now, we've had a great conversation. We agree to disagree about the project, but Council was recently talking about having a work session where DDC would provide them with an update. And, Ms. Korte, you wrote to Mr. Thompson, "To be clear, no on a study session. Allow the DDC to have the full impact of a first impression when the work is complete."

Again, we can agree to disagree about the project but you have a fiduciary responsibility to make these records public, to make this organization share what they are doing. With the rate they are on, they going to be going almost a year in the dark before they reveal public information about their plan and that's simply not acceptable. Mr. Washburn, respectfully, you have also kind of contributed to this tilted playing field. You have ruled that the DDC does not have to engage in debates or meet the public in conversation, and your position was this is really more of a contract interpretation issue versus a strictly legal one. To the extent of legal analysis really just involves the application of general principles contract law and administration, yet you never gave our group any information about what those general principles were, or what your legal analysis was. Probably the person most on the hot seat is the city's project manager Gary Meyer. We have brought all of these questions to him about where the records have gone, and Mr. Meyer has said, DDCS is a private company we don't have access to their records. Now, I'm sorry, they were formed with one purpose and one purpose only and that was to capture the DDC contract. We are their sole customers. We deserve to know what they are doing. If you walked into a venture capitalist's office and held back information and said, well, you are my sole customer but I'm not going to tell you some of what my financial records have to say, you would be quickly shown out of their office. So I'm asking you to make this process fair and make it transparent, make these records become available, make their finances become available.

Thank you very much.

Mayor Lane: Thank you, Mr. Alexander. Next is Michael Norton.

[Time: 00:17:04]

Michael Norton: Mayor Lane, Vice Mayor Klapp, Councilmembers, thank you very much for allowing us to speak. I wish the Girl Scouts were still here. I would like the Girl Scouts to have an opportunity to see how government really works and to further their understanding of what happens when citizens agree and when they disagree. We have a lot of opportunities as we go forward. We have the opportunity to engage in the ballots in 2018. We have opportunities to talk about voter initiatives. We have opportunities also when we would completely disagree and we are at loggerheads. Citizens still have the right to sue our government.

No DDC was incorporated last week. We are now a nonprofit corporation formed in the state of Arizona. It's formed solely for the purpose of resisting and stopping the construction of the Desert Discovery Center on the Gateway trail head properties or the Preserve. We're also deeply focused right now on the financial impact on this city from what is really a preposterous financial proposal from a purely cash flow perspective, this is one of the worst ideas in a history of terrible ideas foisted by this city. We are being asked to spend \$100 million of the Preserve funds for the purpose of building a structure that's wanted by very few. The people who truly support the Preserve are a minority. We won't say what the minority is. It's foolish to engage in that debate until we actually have a vote and we get to find out, but you have a hard time finding people who say yes, I think that's a great idea. Once we've built the Preserve, we will have wasted a significant block of funds that could be used for other purposes that are critical in this city today. You have talked recently about the infrastructure failing. You talked about the need for capital funds. You talked about the need for additional taxes and yet at the same time, you suggest that it's a good idea to blow \$50 to \$100 million on a boondoggle. If we have that money available, use it for good purposes.

If we don't have land left to purchase, stop taxing us. That's another opportunity. If you are going to continue to tax us, then use those taxes for the purposes that we agreed to give them to you. And last, from the beginning the DDC has been touted as a great project that will succeed and bring wonderful things to Scottsdale. We have been told that it will be a financial success that the community would support it, that it would not ever require sustaining funds after a start-up period. We were told that one of the great examples of all of those situations is the Monterey Bay aquarium. We talked about the Desert Botanical Gardens. We talked about similar projects and as we research those projects, we found every single one is a cash flow disaster. Please do not impose that cash flow disaster on the taxpayers of Scottsdale. It's a permanent burden on taxpayers. We don't have the obligation to fund this boondoggle, simply to serve the whims of a few people. Thank you.

Mayor Lane: Thank you, Mr. Norton, that completes our Public Comment at this time.

MINUTES

[Time: 00:20:34]

Mayor Lane: We will move on to our next order of business which is a request to vote to approve the Retreat Meeting minutes of April 17th, 2017 and the Regular Meeting minutes of April 25th, 2017. Are there any comments, adds, deletes, otherwise, a motion to approve will be accepted.

Councilmember Korte: Move to approve.

Councilmember Phillips: Second.

Mayor Lane: Motion's been made. Councilmember Korte and seconded by Councilman Phillips. We are now ready then for a vote. All those in favor, please indicate by aye. Aye. It's unanimous then for the minutes approval. Thank you.

CONSENT AGENDA

[Time: 00:21:13]

Mayor Lane: Next, moving on to items, or Consent items 1 through 13a. I have no cards requesting any comments on those Consent items. Any comments from our Council? Otherwise, I would accept a motion to approve.

Councilmember Korte: Mayor, I move to accept Consent Agenda items 1 through 13a.

Mayor Lane: The motion has been made by Councilwoman Korte and seconded by Councilman Phillips. We are ready for a vote. All those in favor indicate with an aye, those opposed with a nay. Aye. It's unanimous, acceptance of the consent items 1 through 13a.

REGULAR AGENDA

Mayor Lane: To move on to the Regular Agenda items, 14-17. We will begin with Item 14, which is a Public Hearing and Adoption of Fiscal Year 2017/18 Rates and Fees. We will start with Mr. Brian Biesemeyer, Water Resources Director. Mr. Biesemeyer, welcome.

ITEM 14 – PUBLIC HEARING AND ADOPTION OF FISCAL YEAR 2017/18 RATES AND FEES

[Time: 00:22:10]

Water Resources Director Brian Biesemeyer: Thank you Mayor. Thank you, Council. I have a brief presentation for you. It's going to be very familiar to you, because it's the same presentation almost exactly I gave you back in February. I will try to go a little faster this time, but please stop me if you have any questions. I'm going to discuss water and sewer Enterprise Funds and a request for rates, as you remember our water and sewer are our Enterprise Fund, they recover all direct and indirect costs through the rates and services that they charge for and we base these rates on multiyear

financial plans. The big cost drivers we see this year are our central Arizona project water costs, which are rising very quickly. As well as Capital Improvement costs for, mostly for replacement and rehabilitation but also for technology, security, as well as water quality. Our CAP costs are shown on the screen and you can see there's two parts of that. One is delivery charge and one is a capital charge.

The capital charge is charged for every acre foot in our allocation, and the delivery charge is for what we have actually delivered to us. In the last few years, we have had all of our allocation delivered to us and we have been recharging the excess that we don't use or consume, with the goal of increasing our groundwater credits so that in the case of a drought, we have the ability to continue to pump groundwater to make up for any surface water that we might see allocations reduced for us. You can see on bottom line what the impact of these rising rates does to our fiscal year budget. Within the Capital Improvement program, these some are of the major projects that you can see is part of our Capital Improvement program. The Frank Lloyd Wright transmission main, which will be going on this summer. And then the Thomas groundwater treatment facility is a water quality improvement in south Scottsdale.

[Time: 00:24:30]

We are, we will begin designing and construction in F.Y. '18, completing that construction by F.Y. '20. That's a reverse osmosis facility that we are constructing next to Pima Park. Next to our central groundwater treatment facility. And it is due to the complicated groundwater mix that we have in south Scottsdale, and it gives us the ability to not worry about blending some of these wells together and treat any well in south Scottsdale. It also has the ability, one of the secondary, the secondary advantage is it's a reverse osmosis, and it will remove some of the hardness of the water in south Scottsdale. It's not a softening facility, but it will remove some of the hardness in the water.

On the wastewater side, I should go back, the one zone '14/15, water improvement phase 2, is a booster station up in north Scottsdale and that's paid for by impact fees. It's listed here, but the source of funds is impact fees. On the sewer side, we have several different improvement projects as well as the subregional operating group which is our consortium of five cities that together collect and treat water, wastewater at the 91st avenue treatment facility and these costs are the commitment to our rehab and rehabilitation of that system.

For the capital financing, we are projecting a need in '17/18 for an MPC bond issuance of \$57.1 million and then in 2023 on the water side only, of about \$35 million. As I mentioned, we are asking for rate increases on both the water and the sewer, as well as service charge adjustments to pay for and meet cost recovery requirements for specific services. Overall, water rate revenue requested is a 2.9% change and the sewer is 2.6%. And this is just the overall revenue expected from the rate increase. Specific individually for our rates, our base rates are based on capacity, on the meter size and that's based on capacity of water allowed to be able to flow into a residence or business 24/7, 365 days a year.

And these rates are based on the size of the meter and the amount of water that a meter is allowed to

flow. The volumetric charge is part of these is shown above and this is on the commercial side. Tier 1, no change. Tier 2, 3, and 4, slight increases and a slight adjustment or expansion of the Tier 2 on the commercial side. On the residential side, again, no Tier 1 adjustment, Tier 2, 3, 4 and 5, with some adjustment and then slight changing of the tiers on Tier 3 and 4 and Tier 3 is to match the commercial and residential tier structure on the first three tiers. On wastewater side, again our base rates are based on our meter size. With the premise that the amount of water going into a residence or business correlates to the amount of sewer to be collected from that same customer. We have consolidated the 5/8 through one-inch meters to one rate and those are residential sizes. And, again, the base rate goes up with the size of the meter. And then on the volumetric side on sewer, as you recall, we base that on 90% of winter consumption.

So three months of winter consumption, and 90% of that and then we charge according to the category of our user which matches the strength of the wastewater returned to us. And you will note that some of these go up and down, and that's two years ago we did a study on our customer categories and the strength of wastewater and this is the second and final adjustment of those percentages to get us in line with the actual strength of the wastewater collected from the different customer categories. The main differences, particularly with dining, you will see a substantially higher increases due to the strength of the wastewater returned to us. As you recall, it takes just more energy and more effort to clean up that water.

[Time: 00:29:28]

Quick review of our rate history, you can see over the last eight years, the total increase is 4%, if you take that on an average, that's half a percent a year over the last eight years. Where we compare with C.P.I.s, there's no specific water and sewer C.P.I., but there's a water and sewer and tri C.P.I. which is the green line you can see. Set equal in 2010, it's gone up substantially more than our rates which is the yellow or the orange line on this graph. Again, we set our rates based on costs and only our costs, but we like to compare to see how we are doing versus other indicators.

On the service charges, as you recall, the first, again, I did not change this slide. So I have to say, again, that the first service charge is not a service charge. It's a rate. It's a bulk rate for untreated water. And it's for just a very small amount of grandfathered entities that have that water provided to them. There's a small increase in that rate. All the rest of these are service charges. And for a specific service provided.

We are asking for four new service charges. One is an automatic meter reading turn off fee. We have occasionally a customer who does not want our automated meter reading system, a radio system on their property and ask us to turn it off. We are asking for a fee to recover the cost to go and turn that off. We have a private fire suppression and we provide private fire suppression lines into a number of commercial businesses. We don't monitor that. We don't want to monitor that for volume. But there is a cost to maintain those lines and keep them active and under repair. And so we are asking for a \$2 per account per month fee to keep those lines repaired. We also have a commercial water hauling station up off of Pima road. As you recall, we improved that station here this last year, and so we are asking for a new fee, a base fee for these water haulers to help us recoup

the cost of the improvements we made to the water hauling station. And these are, these are service lines, increase of service lines and meters.

Last time I was here, the Mayor asked, well, some of these are fairly large increases. How is that so? As I explained for a number of years, we did not increase these, and so we have been for the last four years trying to catch up with our, the true costs of installing these service lines and meters. So we did several of these over multiple years, but then that kind of didn't, that did not help us, because we continue to fall behind as we extended that increase over a number of years. This is the final year increase we believe for a catch-up and then our goal is to at least go forward, the increases should be much smaller, and it represents just a single year or single two-year cost increase.

[Time: 00:32:53]

Again, these are for new services, however, and you can see the numbers are very, are generally pretty small, except for the one-inch meter, of the number of services that we will provide. And, again, we just like to compare ourselves to the other valley cities. We set our costs on our cost, our rates on our costs alone but you can see for 5/8th inch meter, a customer with this 11,500 gallons of consumption, we are in the middle of the valley cities. I will state again that Chandler and Gilbert are very flat cities and know Chandler has only two pressure zones in the entire city. We have 17 due to our elevation changes. And as you recall, a gallon of water weighs over 8 pounds. You push 8 pounds up several thousand feet, it costs a lot of money to do that. It's a lot of power consumption. So it's difficult for us to compete with a very flat city, but all together, you can see we compete well with the other valley cities.

On a larger size meter, one-inch meter with 17,000-gallon a month average consumption, you can see the change is \$2.95 increase per month. We do slightly increase over Peoria. However, we are not the only valley city that's asking for rate increases. Brian, if you will. So you can see there are many other cities out there asking for rate increases, again, and I will make the assumption that much of this is due to CAP rates going up. But I applied Peoria's percentages to that slide and I'm confident we will be back, we will be back on the other side of Peoria next year. And the one thing that's actually new is in your packets, we are proposing some code changes. Most of those code changes are really about housekeeping updates and definitions and some clarification.

There is one that is different. And that is Section 49-127 of the sewer, of our sewer code, and in that, we currently require, when you have a sewer service line that the customer is responsible for that sewer service line all the way to the main. So if something happens to that sewer service line and they need to repair it, in many cases, that goes out into the right-of-way, actually into the road, and that customer then has to pay for repair of that line and replacement of pavement and the roadway in front of their house. It doesn't happen often, but to the people it does happen, it is a large cost to deal with.

So we are proposing a change so that the city would cover the cost of the right-of-way repairs in the cases of a service line failure that is not the result of a discharge of waste by the customer, so that they damage the line, or from roots from that customer's home that damage the line. So if it's anything

other than those two, we are proposing that the city pick up the cost of the right-of-way repair work done. We estimate that's about \$50,000 a year in cost. Again, it doesn't happen very often, but when it does, it's a large cost to those customers. So we are asking for a code change to allow us to actually take that cost only in the right-of-way. And that concludes my briefing pending your questions.

(Time: 00:36:48]

Mayor Lane: Thank you, Brian. I have no questions at the moment, but, except for myself. We did talk a little bit about the extent of the increases that had, were more or less part of a catch-up.

Brian Biesemeyer: Yes.

Mayor Lane: On a number of years. About how many years did we let that lie?

Brian Biesemeyer: It all predates me. I believe it was like, I'm looking for Gina and I think it's about, she's coming to the mic. I will let her answer, that sir.

Mayor Lane: All right.

[Time: 00:37:20]

Enterprise and Finance Director Gina Kirklin: Mayor Lane, members of the Council, we used to update those every three years, and we would have a three-year implementation, so as those were gradually increasing over three years, the costs were also increasing, so it was hard to catch up during those periods. We did change to a period of increasing every other year. Brian proposes that we come back annually if they are significant.

Mayor Lane: I see. So we are talking about as far as an average, we are talking about three years?

Gina Kirklin: We used to.

Mayor Lane: Yeah.

Gina Kirklin: Yes.

Mayor Lane: Okay. Well, then I suppose those increases still stand to be rather substantial, even on a three-year period of time. Is there a change in technology, in type of equipment or just the service costs, installation?

Brian Biesemeyer: Principally the service cost and the cost of the commodity. Brass and copper were rising tremendously for a number of years and it's just really that cost, and the cost of the attachments that are made with that. So that created that compounding effect.

Mayor Lane: Okay. I don't think we have any other questions, Mr. Biesemeyer. Thank you very much.

Brian Biesemeyer: I will be followed by Chief Shannon.

Mayor Lane: Good evening, Chief.

[Time: 00:38:45]

Fire Chief Tom Shannon: Good evening. As you can see, the next few slides are going to refer to non-enterprise rate change proposals and you will hear from a few of us here. This, as you will recall, this includes annual review to determine direct and indirect costs of service recovery. This is based on the acceptable recovery rate and associated rates and fees, changes approved by the Council. The proposed rates and fee changes submitted will be from myself, Bill Murphy and I believe Karen Churchard. So you will hear from all three of us.

As it relates to fire department, excuse me, before I go there. The total revenue change will be \$190,300. Each of us will describe our respective areas shortly. You may recall when we proposed this initially, this refers to a process that we use to do tenting and vehicle inspection for special events. Our process was frankly inconsistent. We were dealing with both vendors and individual tent owners and project managers. This is intended to streamline that, and give us consistency in terms of our fee structure, and as you can see, the new fee calculation would be \$159 to establish fire safety permits for up to nine temporary structures or vehicles and \$477 beyond ten. These fees cover the issuance of permits and the follow-up site inspections related to that special event. The General Fund revenue impact is zero, we anticipate, given the fact that our revenue source was varied quite honestly. We believe this will provide consistency and over on the overall, have zero net impact. So if you have nothing from me, I will invite Bill up to speak to Community Services.

Mayor Lane: I see no questions on it. So thank you, chief.

Chief Shannon: Thank you, sir.

[Time: 00:41:09]

Community Services Director Bill Murphy: Good evening Mayor, members of the Council. I'm here tonight to talk to you about the Human Service Court Program which we spoke about earlier in the spring. So this is a joint effort that we will be doing with the Scottsdale municipal court and it's to administer the D.U.I. screenings and this will be handled by two of our Human Service Specialists who will be on site. So as the court renders their decision, they will go down the hall to have a screening done by our staff. It's the overall cost of this for the employees is about \$170,000. We obviously hope to exceed that in our revenue and so our revenue number that we have up on the screen is \$190,000.

I just wanted to kind of give you, we started a little pilot program with the court last year, and so just

to kind of give you some numbers in June, through November of '16, they had 1503 screenings and 1267 of those were completed. Of those 1503, 809 were noncompliance, meaning that they didn't follow back up on what the court mandated to them. Of those completed, it took an average of 48 days to complete that. We had a staff member who went over to the court in December under a contract and just some numbers from there, we had 1442 screenings from December through April, 965 of those were completed. 519 were noncompliance which is less than what we had in earlier in the fall but the amount of days that recovery was 23 days. So we cut that in half. We are very optimistic that this program will be really well received and has great support from both Human Services and the court.

Mayor Lane: Will that do it, Bill?

Bill Murphy: That's all I had for you. I will be back in June with our other fees that we have for Parks and Recreation and the Library.

Mayor Lane: Okay. Very good. Thank you, Bill. Karen? Karen, welcome.

[Time: 00:43:27]

Tourism and Events Director Karen Churchard: Good evening, Mayor, Councilmembers. I would like to go over two recommendations that we have for rates and fees. As part of the comprehensive updates to special events ordinance/fiscal year, the City Council adopted new fees for the use of city property as a special event venue in July of 2016 and during the past year, the Tourism and Events department has been looking at the way those fees and the impacts have happened and we have two recommendations.

One is to eliminate the daily fee for use of either Marshall Way Bridge or set Stetson Plaza if the trolley remains open. And the reason we're asking for the recommendation is that it's due to safety conflicts and we haven't had people request the use of those two areas with the trolley access remaining open. The second it to replace a cost per square foot fee with a flat fee rate for the use of alleyways which is consistent with the flat rate for the use of streets and sidewalks. This will really help with the impacts of not having street closures and hopefully having applicants use alleyways instead. And those are our two recommendations.

Mayor Lane: Okay. I see no questions on it, Karen. So if that completes it, thank you very much.

[Time: 00:44:57]

Budget Director Judy Doyle: Good evening Mayor and Councilmembers. I just wanted to give you a quick update related to a few fees that were presented to you on February 21st. You provided direction to also include the proposed rate and fee changes for things such as youth sports, and field access and right-of-ways, et cetera, that of which are summarized here by division on the slide. State law does require us to post new and increased rates on the city's website, 60 days prior to adoption. Recent legislation now also requires municipalities to post a written report or data to support each of

the new increased rates or fees. Staff was not comfortable with the initial level of detail provided in the justification for those few fees noted here on the slide, not those that were presented this evening. So what we did was we enhanced those justifications for those few fees which meant we then had to restart that 60-day clock. So we will be bringing those additional fees back to you as a result of that delay on June 27th. So with that, that concludes the presentation on the rates and fees unless you have any questions.

Mayor Lane: I see no questions on that. That completes that item, I'm sorry, Councilwoman Korte.

[Time: 00:46:31]

Councilmember Korte: Mayor, I would like to make a motion.

Mayor Lane: Okay.

Councilmember Korte: I move to adopt Ordinance Number 4308, and Resolution Number 10799, Resolution Number 10809, and Resolution Number 10769.

Mayor Lane: Which one did she miss?

Councilmember Korte: Did I miss one?

Councilmember Korte: No, I said that one. Okay, 10799, and then 10779.

Councilmember Milhaven: Second.

Mayor Lane: The motion has been made and seconded. I see no further questions on the subject. So I think we are then ready to vote. All of those in favor, please indicate by aye. Those opposed with a nay. Register your vote. Aye. It's unanimous acceptance on all items on Item 14.

**ITEM 15 – PUBLIC HEARING ON AND ADOPTION OF PROPOSED FISCAL YEAR 2017/18 BUDGET
(TENTATIVE BUDGET)**

Mayor Lane: We are then ready to move on to Item 15, which the Public Hearing on the Adoption of Proposed Fiscal Year 2017/18 Budget, Tentative Budget. And we have Judy back at the podium. Welcome back.

[Time: 00:47:56]

Budget Director Judy Doyle: Thank you. Again, good evening. Tonight is the adoption of the city's fiscal year 2017/18 tentative budget which sets the maximum expenditure limit.

On June 13th, the date slated for final budget adoption, you may reduce or reallocate total budget expenditures, however, per state statute, you may not increase the total amount of expenditures

adopted this evening. I will begin the presentation this evening with the operating budget, and highlight significant changes from what I presented to you during the proposed budget discussion on April 25th.

As we have traditionally done, some of the slides include a five-year outlook, but tonight the focus is just on '17/18, as that is the year you are taking action on this evening. And then following the operating budget, Mr. Dan Worth, our Public Works Director will present the proposed capital tentative budget. So first, beginning with the proposed budget in the current fiscal year, '16/17, and talking about the changes in the current fiscal year are important because it does have an impact to our undesignated, unreserved fund balance which does carry forward into the '17/18 budget.

This is a summary of the General Fund sources and uses changes that first column of numbers represents what was included in the proposed budget for '16/17. That middle column is what is included in the tentative budget for '16/17, and then the difference. I will mention that our focus for the tentative budget was to really tighten up where we thought we would end the current fiscal year.

The transfers in decrease of \$800,000 is related to the enterprise franchise fees which is based on revenues collected in our water and water reclamation fund. We were seeing revenues higher than forecasted for the first half of the year, and included as such in the proposed budget, however, revenues are trending overall as originally budgeted. So we did revert back to that original amount and that's what's included in the tentative budget.

[Time: 00:50:14]

The \$2.3 million difference in expenditures is savings that we are seeing in the divisions and do expect at year end. The transfers out, I had shared with you during that proposed budget discussion that they were overstated. So the tentative budget now reflects this change. So bottom line, the tentative budget fund balance includes \$4.1 million more than what was included in the proposed.

Moving on to '17/18 and highlighting significant changes since the proposed budget. The \$600,000 increase in revenues includes the 2% statutory allowance for primary property taxes and an increase in property rental revenues for Paiute Neighborhood Center and Cactus Park Aquatics Center to better align with actual rent collection. The \$700,000 increase in expenditures is related to that updated estimate for the Public Safety Retirement Parker case. I had mentioned during our April 25 discussion. So no real fund balance compared to the proposed. Property tax, the tentative '17/18 budget as I mentioned does include the 2% statutory adjustment.

This slide really points to the rate. If you look at the bottom right corner of the screen, you will notice that our total rate is decreasing a little over 4 cents or to \$1.85. I will mention that we will have a primary property tax truth in taxation hearing on June 13th, as required by state law. So we have talked about those significant changes, since the proposed budget impacting '17/18. So taking this slide and summarizing it, even more, and really honing in on that ending fund balance, looking at the '17/18 column, that gray shaded area, you see our uses exceed our sources by \$7.3 million. However, this is misleading, as when you consider our uses, they include \$8.7 million of one-time

items. Our ongoing sources exceed the ongoing uses by \$1.5 million.

I have broken down those one-time items here on this slide. So, again, when you consider \$8.7 million in the General Fund of one-time items such as the parker case, of 7.8 million or facilities maintenance, et cetera, our ongoing sources exceed those ongoing uses by 1.5 million. So the tentative budget leaves our undesignated unreserved fund balance at 6% of our operating budget at year end, which is about \$15.5 million. And that concludes my portion of the presentation. I'm happy to answer any questions or I can turn it over to Mr. Worth who can wrap up the tentative capital budget.

Mayor Lane: Yes, Judy, thank you. Could you go back to the slide where we illustrated the revenues coming in from the property tax? We are only making an acceptance of '17/18 budget, is that not correct?

Judy Doyle: That is correct.

Mayor Lane: So anything going out in the rest of the period of time, there's no acceptance of any of the numbers we have with regard to property tax changes and/or movement on the past property tax.

Judy Doyle: That is correct.

Mayor Lane: So when we make a motion presumably, I think we proposed to do that by acceptance of this, these resolutions or ordinances, there is no indication of those within the records?

Judy Doyle: That is correct. It's '17/18 only.

Mayor Lane: This is just for illustration purposes right now? Not any judgment on a year-to-year basis?

Judy Doyle: Exactly.

Mayor Lane: Thank you very much. I think we are complete. Thank you very much, Judy.

Judy Doyle: Thank you.

[Time: 00:55:25]

Public Works Director Dan Worth: Good evening, Mayor and Council. I'm going to go through a few slides briefly to recap the additions that we have made in the General Fund and Transportation Fund C.I.P. over the five years of the C.I.P., really nothing new here. This is all in the discussion we had on April 25th and I will also point out that this is all a result of the deliberation and the recommendations from our C.I.P. subcommittee.

The first slide I have two slides, I believe, actually three slides that will show all of the changes in the

General Fund portion of the C.I.P. A few things I want to point out here, the projects in yellow are those projects that we referred to as the keep the lights on projects where we have annual funding, and we have identified requirements to replace major building components, major pieces of our communications and information technology, infrastructure. And if you look at all of those yellow projects, what we are doing primarily is recommending adding that fifth year of five-year funding. There's some other small adjustments in years one through four, but primarily, we are adding that fifth year. So we continue to make that minimal reinvestment in our billing and the information technology infrastructure.

The second item I want to point out, this is Vista del Camino Park and Indian Bend Wash. This was a project we added a year ago, as an \$18 million project. The action this year does two things, it adds an additional \$5 million to the project. It's \$23 million total. And it spreads it over five years instead of having the entire project budgeted in one year, which was the case when we added it to the C.I.P. last year. It's a big project. I just want to make sure that everybody is very clear about how we are able to have a project of this magnitude in the C.I.P. This project was in the list of projects that we put in front of the voters, part of a \$30 million list of parks projects in the 2015 election. It doesn't pass. It was in 2013 measure, part of a \$50million package that didn't pass and still it remains one of the highest priority General Fund projects. One of the highest priority parks projects. So we were looking for ways to get into the C.I.P., like in the bond authorization, and there's really two things that allowed us to get into the C.I.P.

[Time: 00:58:05]

The first is increased General Fund transfers in from the operating budget. We transferred \$6.4 million at the beginning of this year from the unreserved fund balance, last year's operating budget and then the other big piece of that is the decision you made to start taking the sales tax that we collect on groceries and food and moving that into the C.I.P. And that actually moves over the five years of C.I.P. about \$36 million of revenue. Now it remains to be seen how long we continue to collect that tax, but as we have it projected, we are able to project uses of that funding. So the General Fund transfers in from operating have gone up and the other thing that allows us to put this project into the C.I.P., is frankly spreading it over five years to minimize the impact in any particular year.

And then the last thing I want to point out, the radio project, the reduction that I mentioned this last time. We are pursuing alternate means for pursuing the necessary funding for that and we should be able to substantially reduce the amount that we have funded for that project.

Second page. This is just a continuation. After we got the highest priority items into the C.I.P., the things on the first page, we still had the ability, largely because of spreading that Vista project over five years, we still had the ability to fit this group of projects into the '17/18 C.I.P. You see we add nothing in '18/19, and nothing in '19/20. Didn't have available projected cash on hand to be able to add anything in those two years and you can see the irrigation control system here and then some projects on last page, where we had projected funding, again, if revenue stays as we are currently looking at it to add projects in year four and year five of the C.I.P.

This still leaves roughly \$15 million worth of identified needs that were on our list for consideration and prioritization this year that aren't included anywhere in the five years of the C.I.P. And that is after we took, I think, \$40 million worth of projects that we considered this year, large projects that the C.I.P. subcommittee felt weren't really appropriate for annual General Fund pay as you go and we moved them out, for consideration of future additional funding sources, which the subcommittee is going to start addressing now.

So between the two of those, about \$55 million worth of unmet needs that we were not able to fit into the General Fund C.I.P. Similar for the Transportation Fund C.I.P., the projects in yellow are projects we get annual funding for that allow us to meet different types of requirements that aren't specified in advance. We add the fifth year funding for most of those projects two additional things I want to point out, the reduction here was done to offset project that we wanted to add in '17/18, which you will see on the next slide and this project street light replacement is a new annual funding project to address our aging inventory of street light poles that we have throughout the city.

The Miller Road project, that is the city match for a \$19 million M.A.G. arterial life cycle project. The reason that we had it as a priority to get it into fiscal year '19/20, we moved it up from outside the five-year plan. The reason this was a priority is so that we can execute this project at the same time that ADOT does freeway widening in that area, so we can save money and hassle for the traveling public. And then the Raintree project and the first two on the next slide are projects that involve grants and M.A.G. funding where we made adjustments actually, between the three of these projects, the adjustments go up and down but they basically net out but we did that to meet the requirements for funding for the outside funding sources.

The Via Linda traffic circles project is the one I mentioned on the last slide we reduced the funding in those annual funding accounts for '17/18, so we can fit this one in. This is a project that we have a need to modify and improve the traffic circles and the approaches. It's scheduled for maintenance repaving next year. It makes sense, again, to reduce inconvenience to the traveling public and to save money. It makes sense to requirements to repaving and the restructuring of the roundabouts at the same time. That is all I have for the C.I.P. presentation. I would be happy to answer any questions.

Mayor Lane: I see no questions. I have none for you, Mr. Worth. So thank you very much for your presentation.

Dan Worth: Thank you.

Mayor Lane: All right. We do have, we completed the Public Hearing and the Adoption of Proposed Fiscal Year 2017/18 Budget, Tentative Budget and we have an item of action. Do I have a motion?

[Time: 01:04:02]

Councilman Smith: Mayor, if I may. I have some questions.

Mayor Lane: Oh, I'm sorry. I got ahead of it. It came up quickly, yes, Councilman Smith.

Councilman Smith: I do have a couple of questions and I just didn't want to ask them during the presentation, but maybe it's to the first question is to you, Ms. Doyle. You mentioned that we expect now we will have an unreserved fund balance of \$15.5 million at the end of this fiscal year. Did I remember that number correctly?

Judy Doyle: Mayor and members of Council, yes, you did.

Councilman Smith: At what point in time does the Council deliberate on what use we will make of that money, if any?

Judy Doyle: That deliberation could occur right now. Now would be an opportunity.

Councilman Smith: Okay. Will we have an opportunity after tonight or does this, do we have to designate the spending of this, or the application of this or whatever? Would we have to do that tonight? Will we have another opportunity?

Judy Doyle: Mayor and members of the Council, this would be a transfer out to our capital program. And transfers are not included as part of our expenditure limitation. So it could be something you could do at any point throughout the fiscal year. Now if it were to be for a specific project, that is not included as part of the tentative budget, then that would be something we would need to include and increase the expenditure authority for.

[Time: 01:05:31]

Councilman Smith: Okay. Thank you for that clarification. I'm nearly thinking of a specific project. I am, in fact, thinking of Council taking some action to direct staff to transfer a specified sum of money to the C.I.P. fund, to the General Fund C.I.P. fund as we have frequently done in the past. When we looked at the unreserved fund balance several weeks ago, it wasn't quite this number but it was roughly this order of magnitude, but we made no decision to transfer any but I guess, I'm going to suggest and maybe then when I finish here I will make a motion that we actually authorize the transfer of \$5 million from the unreserved fund balance to the General Fund C.I.P. fund.

My second question, I think, goes to the Capital piece, and it's perhaps to Dan Worth, but I really want to make sure that the public understands, and you emphasized, I think, and clarified the renovation of the Vista del Camino park and the fact that we are trying to do this within the General Fund budget. It was a project that we had requested the voters to approve, and they declined to do so in the bond election; is that true?

Dan Worth: Councilman Smith, that is true. That surprised me.

Councilman Smith: I think I, I want to be sure that the public understands and maybe just to put an

exclamation point on what you were saying, the only reason we are able to do this, I mean, I think there commonly there's an understanding that if they just say no to something, we will figure out another way to do it. The only reason we are able to accommodate this project in the General Fund C.I.P. is because we have moved our most punitive sales tax, the sales tax on food for our poorest residents into the C.I.P. fund.

Dan Worth: Councilman Smith, that's correct.

Councilman Smith: And I guess I just want everybody to understand everybody who voted one way or the other on the last bond election, that we have now managed to figure out a way to renovate the Vista del Camino park without the help from anybody except our poorest citizens paying food tax. I want to ask in a broader sense, and maybe this was a question for the City Treasurer, I don't want the public to think that this General Fund C.I.P. is really accommodating all of the Capital needs of the city. And so to get to that question, I guess I would ask the City Treasurer what do you think will be the depreciation roughly, the depreciation of -- on our depreciable assets in the city? How much will they depreciate from an accounting point of view in the coming year?

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Smith, I think the order of magnitude is nearly \$100 million in total. That's all assets of the city.

Councilman Smith: It does not include water department assets I don't believe?

Jeff Nichols: No, no, it doesn't. It includes the Enterprise Funds.

Councilman Smith: So all assets in the General Fund, basically. General Fund assets.

Jeff Nichols: General Fund and Transportation.

[Time: 01:09:19]

Councilman Smith: Yes, and I guess I would like for the public to understand that while we are approving this General Fund and Transportation Fund capital spend plan, it is nowhere near \$100 million and in all likelihood then, at the end of the year, we will have another decline in the net depreciable assets of the city. I said, we're on the gradual liquidation of the assets of the city and it is not a sustainable fiscal strategy to pursue. What we are approving tonight is the C.I.P. and the C.A.P., that are small in the whole scheme of these. I will approve them, because they are spending all the money that they have, including the punitive tax money that we have put in there, but it is by no means enough to maintain the sustainability of the city. And has not been for years.

Going back to my first comment, Mr. Mayor, I would like to make a motion then regarding the utilization of the projected unreserved fund balance, Ms. Doyle said probably going to be \$15.5 million, and I would like to make a motion that we direct \$5 million to be transferred to the General Fund C.I.P. program. Thank you.

Mayor Lane: Thank you, Councilman. I'm not hearing a second. The motion dies for lack of a second. I do have a comment that I wanted to mention, but Council, Vice Mayor? One of the things that we have in motion, that I would certainly like to see come about, and as we looked at the slide, Judy, that you were so gracious in bringing back and showing, is that sort of an illustration of five years out of outlying years. We established and appointed and passed by this Council, a C.I.P. subcommittee to review not only the prioritization of the available C.I.P. funds which we all very well know have not been sufficient to cover our capital projects for quite some time, because the lack of a bonding issue which is something, is the way we have financed our long-term capital projects over the history of the city.

So we do realize that there is a deficiency there. That subcommittee is in the process of working on not only what the revenue sources might be to cover those items of Capital Improvements that we have to have to maintain the city as we know it, and to have the form that it's been in for many years, but also to make sure we are not somehow sacrificing General Funds for operational issues and also for other issues that are important to the operation of our city and the maintenance of our city. I'm hoping that we will ultimately get the recommendations beyond the prioritization which I think has been demonstrated here on the slides, the prioritization that was recommended by that subcommittee; that not correct? We have seen that now twice. So they are on here and that's the reason why I posed the question about the other revenue source. Was that a determination of the subcommittee as a recommendation of revenue source going through the future? Was that coming from the subcommittee? I know we're not voting on the acceptance of it, but I would like recommendations from the subcommittee to come to us for determination.

[Time: 01:13:21]

Jeff Nichols: Mr. Mayor, if I may, that was not a recommendation of the subcommittee.

Mayor Lane: Okay. All right. So it's up there for other reasons of illustration, but not subject to the vote that we are talking about today or an acceptance of anything coming from the subcommittee?

Jeff Nichols: That's correct.

Mayor Lane: Well, that was my only comment with regard to that. Vice Mayor, you had a comment.

Vice Mayor Klapp: Well, one brief comment and then I would like to make a motion. I would like to support Councilman Smith, it was not lost on me, that the monies that are funding the Vista del Camino is the money that's moved from food tax over to the capital budget, and I'm hoping that somewhere down the road, we are going to correct that. We can't do it today, I know, but it is not, it's not making me comfortable to take money from the food tax to fund capital projects long term. With that, I will make a motion.

Mayor Lane: Let me just stop you there, if you don't mind.

Vice Mayor Klapp: Yeah.

Mayor Lane: I overlooked the fact that we do have a comment card from Mr. Mark Stuart on this item.

Vice Mayor Klapp: All right. I will wait.

[Time: 01:14:42]

Mark Stuart: Hi, I'm Mark Stuart, 8692 East Cheryl Drive. I would like to make a six-minute presentation as part of the Mayor's agenda at the next meeting on the 13th, I believe it is, to show us how we can bring in 15 to \$30 million and then from there, I would like to make a proposal that we earmark that for specific high priority capital projects. So it's easily doable. It's an issue that most of you on the Council are afraid to deal with, because you have connections to some of the people that you give money away to, and you don't want to lose the donations that they give you.

Also on the Consent Agenda item, there were two sort of simple things that were obvious waste. We don't need to pay a lobbyist. We know Mr. Washburn's not a very good attorney, but Eric Anderson is certainly good enough to be a lobbyist and lobby for whatever specific needs we have. I know there are a couple of other younger female attorneys who seem to be quite skilled. So I would ask that you get rid of that. That's a complete waste. The city and towns, item number 9, we don't need to be in that. We need to focus on our needs. We don't need to pay money to lobby on behalf of other cities. And.....

Mayor Lane: Mr. Stuart, I'm sorry, this is item 15.

Mark Stuart: This is the budget. It's related.

Mayor Lane: They actually are not. It's in the previous budget. This is item 15 for next year's budget.

Mark Stuart: Mayor, you can do it. Come on. I know you can. Just be patient. Spending is part of the budget. You already approved it on the Consent Agenda. I couldn't get here in time. What I'm trying to illustrate is that these are simple items that don't serve our needs. We don't need them. We need to start making changes in how we look at spending money. So I would like you, Mayor, to sit down, I can sit down with you and maybe Mr. Smith and Mr. Phillips and Ms. Littlefield and I would like to put together a six-minute proposal to present to the public to show how we can bring in \$15 to \$30 million. So that's really the point I was trying to make is that this is kind of a charade.

This project, it's a lot of stuff that's in the budget that shouldn't be. And there's a lot of stuff that's in this budget really since the early '80s that takes money from the broad public, and gives it to some very well-connected special interests but it hurts people down in the south who don't have potholes

fixed in their roads and can't get their parks fixed. We have really nice parks where I live and further north you go, the nicer they are. But that, but that's because the people who benefit from these giveaways generally live up north.

So you are taking from, most of the people down here, you are giving it to the people up there and then they suffer because they don't have the parks and the other services that they should. So I would like you to seriously give me the six minutes prior to the next meeting. I know it's a tentative budget but this is an issue of public importance and we need to get this out in the open. So thank you for your patience.

Mayor Lane: Thank you, Mr. Stuart. Next, Vice Mayor.

[Time: 01:18:05]

Vice Mayor Klapp: I would like to make a motion to adopt Ordinance Number 4306, as presented, establishing for fiscal year 2017/18 tentative budget.

Councilmember Korte: Second.

Mayor Lane: The motion has been made and seconded. Would the second like to speak toward it. We have a remaining question. Councilwoman Littlefield.

[Time: 01:18:32]

Councilmember Littlefield: Thank you, Mayor. I would just like to personally thank the members of the subcommittee C.I.P. I think they did a fantastic job working with what they had and coming up with the solutions that they did have, and they made. So I thank you very much for all of your hard work and your time and your efforts. I do have a question, or not a question, but I would just like to make a statement. I asked about a number of things on this budget with Judy, and I just would like to make it clear and the Mayor also spoke to this, that the years beyond '17/18 are not what we are voting on tonight. We are not approving those increases in property taxes or any of that kind of thing. We are just voting on next year's budget. Those are just looking forward, if this happened this is what we would anticipate. So I just want to make sure that everyone understands that, that these property tax increases for future years are not being voted on tonight. Thank you.

Mayor Lane: Thank you, Councilwoman. We do have a motion on Item 15, on Ordinance 4306 made by the Vice Mayor and seconded by Councilwoman Korte. And I think we are now ready then to vote. All those in favor, please indicate by aye. Those opposed with a nay. Aye. Motion passed unanimously. Thank you all for your presentation on that and for the information to the questions.

**ITEM 16 - SIGN ORDINANCE UPDATE – TEMPORARY SIGNS TEXT AMENDMENT (2-TA-2016)
REQUESTS**

Mayor Lane: Our next Item is 16, it's Sign Ordinance Update, a Temporary Signs Text Amendment, 2-TA-2016, and we have Andrew Chi, one of our city planners. Mr. Chi.

[Time: 01:19:50]

Planner Andrew Chi: Good evening, Mayor, members of the City Council. I'm Andrew Chi, Planner with the Current Planning Department. We are here to discuss number 2-TA-2016, the sign ordinance update for temporary signs. So last year, on May 25th, 2016, the Planning Commission initiated a text amendment to update the zoning ordinance pertaining to temporary sign requirements. As part of our continuing outreach, staff has held two open house meetings for the Public Comment and targeted outreach with residents and stakeholders. Why are we here? So before, we are here before you tonight to receive the City Council's consideration on the proposed text amendment.

So the purpose of the text amendment and the goal is as part of our continued effort to make a more contemporary and user friendly zoning ordinance, the purpose of this text amendment is to basically update the, update the sign ordinance as it pertains to temporary signs and the update is consistent with what other cities and towns and U.S. municipalities are doing across the country, recent federal court decisions have affected sign regulations throughout the country. Therefore, we are proposing to consolidate the temporary and semi-permanent sign requirements of the zoning ordinance into one more simple temporary sign category.

[Time: 01:21:46]

We are also regulating signs based on the zoning district and street furnished length, rather than the content displayed on the sign and in addition, we are removing special event sign regulations will be removed from the zoning ordinance and it's just to remind the Council on March 21st of 2017, City Council did adopt Ordinance 3402 amending Scottsdale revised code by adding sign requirements for special events and we are also, the goal also is to maintain the integrity of the existing ordinance to maintain the city's aesthetics and reduce sign clutter.

At the February 22nd, 2017, Planning Commission meeting, the Planning Commission recommended approval to 2-TA-2016, with a vote of 5-0. What does the existing ordinance entail? Right now our current sign code has 17 different temporary sign types which includes on premises sale, lease and rent signs. On premise development signs. On premise contractor signs, off premise open house directional signs. Campaign signs, window signs and grand opening banners.

The current code does not allow on premise portable signs, also known as A-frame signs. This is one of the reasons why we are here tonight, to simplify the ordinance into a more user friendly code. To achieve these goals, many of the 17 different sign types have, are similar in purpose, which allows the provisions to be consolidated into one single temporary sign category. The condensed sign types includes three new sign types which are post and panel signs, portable signs, and yard signs. This will assist in achieving a more simplified zoning ordinance, and also to achieve a time, manner and place regulation. They are regulated by zoning and street frontages rather than the content.

An example, so what we have in front of you are examples of post and panel signs. These sign types could be used as Realtor signs, development signs, contractor signs, campaign signs, and noncommercial signs. Often known as real estate signs. The proposed amendment allow these signs in commercial and industrial and mixed use districts to provide flexibility for businesses within a commercial center, and also we need to reduce, excuse me here. These signs are not allowed in the right-of-way.

Let me get to the next slide here. Next on the slide are examples of Portable signs, and portable signs used as Open House signs and on-lot commercial A-Frame signs. You will see the example of a yard sign which is a new sign type, and examples and uses for these signs are open house signs, campaign signs and noncommercial signs. To reduce clutter, a 100-foot setback is required from the curb on commercial properties for these portable signs. Because our current code does not allow these portable signs in commercial districts this is a way to allow tenants within a strip mall or shopping center the ability to actually display these signs within the center without any visibility or impact along the street, thereby keeping the city's streetscapes and corridors clutter free while assisting some businesses in the shopping center.

A yard sign is also a new sign type and these yard signs are typically for open house signs, campaign signs and noncommercial signs. And so the bottom sign is an example of a sign and you will see those out especially during campaign seasons when the residents post them on yards of their residential property. The proposed amendment also includes regulations by time, place and manner and what is that. Well, time, so how are we going to regulate these sign types? Well, we will regulate these signs based on the duration of activity on the lot. So, for example, if a particular property has an active Development Review Board application, has an active building permit or is being actively marketed for sale or lease, during those times, a property is allowed a post and panel and a portable sign.

Location and placement, we are maintaining the current code requirement of having these signs only in the right-of-way. And not a traffic or pedestrian hazard. And in the manner, we, for manner, we are proposing to regulate signs based on street frontage, street classification and the length of the frontage.

[Time: 01:26:31]

So if you have a longer street frontage on a large property, you are allowed more signs once you hit a certain point and that point would be, for example, if you have a lot with 1200 feet of property length, you get one sign and any additional sign, you get an additional sign for every additional 600 feet, thereby keeping the cities streetscapes corridor at a minimum with clutter but allowing some flexibility for lot owners.

As part of our continuing outreach, we held two open house meetings. This included a participation of the Scottsdale Association of Realtors and the public and the stakeholders did have concerns on an early draft of the temporary sign ordinance. Staff has worked with the Realtors and stakeholders to

modify the ordinance to accommodate community input. Based on that community input received, the changes were incorporated into the current draft amendment that's before you tonight. And that concludes my presentation on 2-TA-2016. I'm happy to answer any questions from the Council.

Mayor Lane: Thank you, Mr. Chi. We do have a question or a comment from Councilwoman Milhaven.

[Time: 01:27:46]

Councilmember Milhaven: Thank you for your good work. Since there's no Public Comment, you guys must have done a great job responding to people's concerns. So thank you for that good work. So I like to make a motion to adopt Ordinance 4300 and Resolution 10727.

Vice Mayor Klapp: Second.

Mayor Lane: The motion has been made by Councilwoman Milhaven and seconded by the Vice Mayor. In the second would like to make a comment.

Vice Mayor Klapp: I didn't really have a comment. I had a question. How are you planning to community this change in portable signs to the commercial property owners? Because obviously that's been an issue for many, many years within primarily shopping centers, tenants are not allowed to have portable signs and now they can. How do you communicate that to the commercial property owners so that when the sign ordinance goes into effect, can actually be implemented without a lot of confusion?

[Time: 01:28:44]

Andrew Chi: Thank you Vice Mayor Klapp, Mayor Lane and members of the City Council. If this Ordinance was passed we would first update our city's website to include a new web page that would kind of summarize our ordinance updates. At the same time, we still have continuing presentations in front of the Scottsdale Chamber of Commerce, and they have been briefed through a separate text amendment coming through Council later this summer on permanent signs on the updates of temporary signs and how that affects shopping center owners and commercial property owners. We are in conversation with the Chamber and the outreach from them should reach out to the rest of the community, however, we do target a web-based and in-person based outreach to try to get the word out so that we make sure that this new code is communicated to commercial property owners.

Vice Mayor Klapp: Got it. I would mention that you might want to reach out to the trade association for commercial properties, particularly the shopping centers have their own association, international shopping center association of shopping centers or something like that. And that would be a way to get to the some of those people who are not members of the Chamber but need to be updated on the sign ordinance.

Andrew Chi: Okay.

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

Councilmember Littlefield: Thank you, Mayor. I just had a quick question. Does the city have to obey its own rules on this?

Andrew Chi: Councilwoman Littlefield, Mayor Lane, members of the Council, yes, in a sense, however, there are government signs that are exempt from the ordinance, as example, public hearing signs are A-Frame signs and they are used and allowed in the city's right-of-way because of its governmental purpose.

Councilmember Littlefield: Okay. How about the timing and picking them up afterwards and things like that?

Andrew Chi: Again, the city is also exempt from that, as long as the activity of the, as long as the sign is for that governmental purpose, for example, if there's a public meeting that goes on until 10:00 at night, the A-Frame sign announcing to the public will continue to be displayed until the conclusion of a meeting.

Councilmember Littlefield: Thank you.

Andrew Chi: You're welcome.

Mayor Lane: Thank you, Councilwoman. Seeing no further comments on this item, thank you again Mr. Chi. And we do have a motion and a second. So we're now ready to vote. All those in favor please indicate by aye. Those opposed with a nay and register your vote. Aye. And this is unanimous, 7-0.

Andrew Chi: Thank you.

ITEM 17 - MONTHLY FINANCIAL UPDATE

Mayor Lane: Move on to our next Item, 17, the Monthly Financial Update. Mr. Jeff Nichols, our City Treasurer who is at the podium. Welcome again.

[Time: 01:31:43]

City Treasurer Jeff Nichols: Thank you Mr. Mayor, members of Council, just a reminder, the Monthly Financial Update this month is also the month that we begin trying to estimate where we think we are going to end the fiscal year on June 30th. So it will be intertwined in this presentation. First start out with a General Fund operating sources to date.

That first line tax is local. You may see a very big difference between budget and actual, which shows much clearer on this slide. Again, I will be talking about the \$8.5 million unfavorable variance and

helping you to understand that. Looking at the different building fee permit and fee changes, that slight variance was just an unfavorable variance due to a lower than estimated multifamily residential valuation. Some of the other ones, the licensed permits and fees, the favorable variance actually applies to WestWorld, collecting some fees that were actually charged last fiscal year and they did not receive them until this fiscal year. Creating a variance.

We talked about the fees, fines and forfeitures, the suspension of the Photo radar program, as well as the suspension of the parking fines within the downtown area while we worked with the merchants led to that unfavorable variance. Going down into the General Fund operating sources, the 1% sales tax, again, the negative variance across the board, it will be explained in a different slide, as we move forward, however, it does relate to ADOR taking over collections of TPT tax on behalf of the non-programmed cities and towns. The April payments included payments we received through the end of the month of April, however, as I explained before, we closed our books on the second business day of the month which for us was May 2nd. We closed those books at 10 a.m. We received three additional payments from ADOR after the closing of those books. We received payments on May 2nd, May 9th, and May 16th that were all related to April's taxpayers submissions, forms that were received after the due date at ADOR and didn't get into our book of the record. So if we had received those payments in a timely manner, the negative variance would have been approximately \$100,000 for the month. There you see it illustrated on a 17.5% decline year over year change.

General Fund operating sources, again, here's where we get to the yearend estimate. You see the tax is local. The budget of 137, the actual where we think we should finish the end of the fiscal year, much closer. And as a matter of fact, we feel at this point in time, the best estimates that we have, this is a lag that we see, the one that we saw would go into perpetuity will just never receive these funds. Approximately \$2.7 million overall, creating a negative variance, total sources of \$2.4 million.

[Time: 01:35:10]

General Fund operating uses by category, fiscal year-to-date, again, personnel services, contractual services and commodities and favorable variances, the one negative you see there, capital outlays. There was some expenditures within the department, Public Works that were related to, what they thought were contractual services after accounting looked at them. They deemed them to be capital in nature. So those expenditures were moved into that category. That budget has not been moved, however, between those two areas, we hope public works will come in on budget.

The personnel services of \$2.3 million, this is just as I have been explain all throughout this fiscal year, people leaving the city, retiring. We're hiring people that are being paid less. Their pension benefits are less. Their pension benefits are less, all related costs of the employee are less and we are recouping those savings, if you will. And we believe those savings will go out to the end of the fiscal year.

The contractual services, some of those savings are actual savings that we believe will accrue to us at the end of the fiscal year. Some are just timing differences. The transfers out, as I had talked about before, relate to the fire department, and the SCBA equipment that you all approved, the ten-year

cycle replacement for them earlier this fiscal year. But still a favorable variance in the bottom right-hand corner of \$5.3 million if we can so to speak hold the line from the expenses from here until the end of fiscal year.

Here's the \$2.3 million in personnel services as you can see, I had mentioned the salaries, the retirement, health, dental, the fringes, everything, favorable due to the hiring of employees and when a 20-year employee leaves and someone replaces that person, the cost of that person is significantly different and we seem to have quite a few employees leaving the city through retirement or other.

Operating division expenditures, fiscal year-to-date, again, all positive variances, except for Public Safety Fire. The driving factor in Public Safety Fire right now is about 17 to 20 people out injured, workers comp, whatever issues and we are having to constantly staff those areas and it's leading to an increased amount of overtime within the Fire department. I would like to point out, the area like Public Safety, Police, the 3.2 million positive variance, we have a positive variance we'll get to later. We feel we'll accrue about \$5.9 million savings this year and it's being driven by the personnel services and the benefits and the medical cost within the Police department.

General Fund operating uses are year-end estimate, where we think we will finish the end of the year, you see a \$2.2 million favorable variance. It wouldn't surprise me if that's a little bit higher. I think departments and divisions are optimistic with their expenditures and what they think they can do between now and June 30th. So we'll keep an eye on those expenses if you will. And see to what extent they can be controlled to produce a more favorable result on the uses side.

[Time: 01:38:45]

And overall, General Fund results our summary, fiscal year-to-date, unfavorable variance of \$3.1 million but it's being driven by the \$8.4 million unfavorable variance in the taxes, TPT that we don't believe the one month we do modified accrual accounting that the month of June we believe a lot of that unfavorable variance will go away that month, just not all of that. When we look at the year end result, the estimate is that we will finish the end of the year about \$200,000 worse than what we had thought. What I would like to point out is that this, to the best of my knowledge, and Ms. Doyle can chime in if they would like, to I'm not certain that we have ever come to you in April and said that we thought we were going to finish the end of a fiscal year worse than we began our projections. More often than not, there was some winnings, if you will, throughout the fiscal year, either on the revenue side or the expense side, and that would have been a favorable result adding to the unreserved, undesignated fund balance. We don't see that happening this fiscal year. And with that I would take any questions you all may have.

Mayor Lane: Thank you, Mr. Nichols for your presentation and the explanations on some of those more dramatic aspects of our TPT consolidation with the state. Thank you on that.

Jeff Nichols: You're welcome, Mr. Mayor.

Mayor Lane: I don't know if there's any questions from the Council. I'm not seeing any. So this is,

do we have an action item on this?

Jeff Nichols: No, sir.

Mayor Lane: Okay. Thank you for the presentation. We're good. So next order of business is the remaining Public Comment request by Mr. Mark Stuart.

PUBLIC COMMENT

[Time: 01:41:18]

Mark Stuart: It's time for Scottsdale Save Our Preserve bimonthly ballot initiative update. Can you guys see that? No? You know, I don't know why he does that. Subtitle page. This ballot initiative update is sponsored by thousands of citizens of Scottsdale. Who have signed our petition and who are working as volunteers. Call the election now. Save the city a lot of stress, a lot of aggravation. It's inevitable that we will get our signatures and we will be on the ballot. We only need two signatures per volunteer per week and we will have more than 33,000 by June 30th, 2018. So it's inevitable and that doesn't include getting new volunteers. I got two new volunteers today. So if you could make the world a better place, would you do it? I know Ms. Littlefield would. Every volunteer answers this question without hesitation. It's the team work and persistence that's paying off. So you guys are inspiring me to spread the word and Save Our Preserve. But far beyond our little city here, our volunteers are inspiring other volunteers all over the state.

Because there are now three statewide referendums. I've met many of the people and they say we have really set a great example for them. So no words can describe the gratitude that I feel to our volunteers every time I get out and get signatures. Your efforts remind me that people are inherently good. Your efforts help us all connect to this goodness. We are all benefiting, immensely from your examples. You guys rock. I can't thank you enough. Because of you, it's inevitable that we will Save our Preserve.

Now we have a great new sign. I don't know if this is in the image that's being projected or not. Well I can just lift it up here. Is this going to be in the image that's going to be out on television? As you can see, it's great. We have a hand model that actually signed one of our petitions. Took the picture and now we have what many are describes as the most beautiful sign in Scottsdale. We have a little confusion here.

And I know it comes from the most incompetent City Attorney in the state, Mr. Washburn. Trademark laws do not apply to political speech. So I know Ms. Littlefield understands that. I think Mr. Phillips understands that. I think they both graduated from eighth grade here in Arizona, so they do understand that. And I was quite appalled and frightened when I got a letter from Mr. Meany and I'm assuming it was under the direction of you, Mr. Lane. So I would like you to confess. Whose idea was it to send me a threatening letter?

Mayor Lane: Mr. Stuart, your time has elapsed. I would appreciate it if you could wrap it up.

Mark Stuart: Give me 30 seconds. Just to remind you, the circulation of initiative petition is core political speech, where First Amendment protections are at their zenith. This has been the controlling law really since the 1930s, but all the stuff that's going on now has already been rejected by the United States Supreme Court. So all of our volunteers, if you want to make a great sign like this, you want to use any of the city's logos, you want to use any of their buildings, you want to take a picture of Mayor Lane and use it in a sign you can.

Mayor Lane: I appreciate it, your time is.....

Mark Stuart: There's no need to be frightened.

Mayor Lane: Thanks, Mr. Stuart.

Mark Stuart: Can you give me 15 more seconds.

Mayor Lane: No, I'm sorry. I've already given you over a minute.

Mark Stuart: All right. Thank you, Mayor Lane. And remember, spread the word and Save Our Preserve.

Mayor Lane: I think we are poised and ready to go there. We don't have any further business, I don't believe, unless there's any questions of the Councilmembers.

ADJOURNMENT

[Time: 01:45:59]

Councilmember Korte: Mayor, move to adjourn.

Mayor Lane: And the motion has been made and seconded. We are adjourned. Thanks very much. Thank you.