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#### **CALL TO ORDER**

Mayor Lane: If there's an echo, it's because I turned my mic on. And welcome to our City Council work study session. It is Tuesday, April 17<sup>th</sup>, 2018, and it is approximately 4:00. And I would like to call this meeting to order.

Mayor Lane: And we'll start with a roll call, please.

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Virginia Korte.

Vice Mayor Korte: Here.

Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: 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.

Jim Thompson: Here.

Carolyn Jagger: City Attorney Bruce Washburn.

Bruce Washburn: Here.

Carolyn Jagger: City Treasurer Jeff Nichols.

Jeff Nichols: Here.

Carolyn Jagger: City Auditor Sharron Walker.

Sharron Walker: Here.

Carolyn Jagger: And the Clerk is present.

[Time: 00:00:09]

**MAYOR'S REPORT**

[Time: 00:00:10]

Mayor Lane: Thank you. Somewhat uniquely today, we will have a Mayor's Report and it is for the occasion of Volunteer Appreciation Week. And for that occasion, as we normally do we have a proclamation, which I will entertain you with, as soon as I can open up this proclamation form and proclamation here is whereas Scottsdale volunteers play a critical role in assist the city to execute the mission of simply better service for a world-class community; and whereas the city volunteer program is a citywide program that enlists the assistance of citizens who wish to make a difference in our

community and provide enhanced services to the citizens and visitors to our community; and whereas, in 2017, more than 5500 citizen volunteers contributed over 163,000 hours of service to the community; and whereas citizen volunteers contributed a value of work that equates to more than \$3.8 million in savings without the additional cost to taxpayers; and whereas citizens give back and make a difference in the community and; and whereas, national volunteer week has been celebrated each year at a national level since 1974 by presidential proclamation and by every president each year since.

Therefore, I Jim lane, Mayor of the city of Scottsdale, Arizona do hereby proclaim, April 15<sup>th</sup> through the 21<sup>st</sup> of 2018 Volunteer Appreciation Week in Scottsdale and encourage our citizens to join me in celebrating the kindness and the generosity of citizens that volunteer and serve our community. And what is not said here is really what the impact is obviously to those volunteers what the overall feeling for our volunteers and knowing their city a bit better.

[Time: 00:02:03]

Now I would like to invite Bill Schrader, former Mayor and volunteer to the city for 21 years and Betty Ames, William P. Schrader impact award honoree and Cindy Eberhardt to the front of the Kiva to accept the proclamation and to take a photo for the occasion.

Mayor Lane: You know, as I announced at the outset, this is a Work Study session and these sessions provide a less formal setting for the Mayor and the Council to discuss specific topics at length with each other and city staff. Work Study sessions provide an opportunity for staff to receive direction from the Council and for the public to observe these discussions. Public Comment, which we do allow in work studies which is somewhat unique as well, a total of 15 minutes will be set aside at the beginning of each Work Study session for Public Comment. The comments will be limited to one item on the agenda, and, of course, there is only one item on this agenda. So please see the city clerk if you have thoughts on the Work Study sessions you would like Council to consider. Speaking and written comment cards are available to my right over here. The white one is to speak and the yellow one is for written comments. And so they are here to assist you if you have a need for that.

#### **PUBLIC COMMENT**

[Time: 00:04:24]

Mayor Lane: Right now, we have two requests to speak on our Work Study session and I will start with Fred Leeder. Followed by George Ertel.

[Time: 00:04:52]

Fred Leeder: Good afternoon, Mayor Lane, City Councilmembers. My name is Fred Leeder and I live at 12589 East Laurel Lane. I represent the 263 homeowners of the Sonoran heights H.O.A. today as I did at your last Work Study and Special Meeting, March 27<sup>th</sup> when I encouraged you to look very closely at the planned roundabouts at 126<sup>th</sup> and 128<sup>th</sup> streets on Via Linda. These plans were a

complete surprise to us until a few days before that Special Meeting. From the comments during that meeting, with just about the entire City Council, I think my message as well as George Ertel's may have rung a bell. I'm not sure what if anything was the result of our brief presentations to you, they included a traffic survey analysis, applicable studies and data and identification of the real traffic and safety problems, none of which would be resolved by roundabouts at these locations. But while the data and the details may have been somewhat overwhelming, I think the connection was successfully made between these two extremely expensive high priority totally unnecessary and inappropriate projects on your list and the upcoming challenge to sell Scottsdale voters on badly needed transportation repairs and capital projects, perhaps in the form of a bond proposal on the November ballot.

Now, I won't waste your time with more information showing what a huge waste of scarce tax money these two roundabouts would be. We did mention an estimated \$2.5 million each. And I think you all know how something like this tends to discredit what may otherwise be a carefully studied and prioritized list of repairs and capital projects. It's obviously not your responsibility, nor do you have time in your busy schedules to question the validity and the priority of every project on this long list of supposedly essential projects. But if you look at just a few items on the list, such as these two roundabouts, you may well agree that the roundabouts should be dropped, no doubt there may well be other projects which need to be pulled or reprioritized. Thank you for your consideration.

Mayor Lane: Thank you, Mr. Leeder. Next is George Ertel.

[Time: 00:07:42]

George Ertel: We didn't want you to think that we both came and said the same thing each time. So we switched the order. My name is George Ertel. I live on North 129<sup>th</sup> Way, Scottsdale. I would like to address the CIP transportation budget priorities as listed in the five-year CIP transportation fund projects prioritization, page 13 of that packet. Using the transportation department statistics, for congestion inclusion, there were projects on this list that make a lot of sense. The first project, I haven't done anything like this in years, and you probably can't read it. The first project is the Miller Road underpass and to me, that looks perfect. No cost to the budget, and it will relieve congestion on Scottsdale Road from Mayo to Thompson Peak. Scottsdale from the 101.....

Mayor Lane: Excuse me. And we might give him just a few more seconds as far as, you have your thing upside down or on the cover already, I should say. So it doesn't go face down, but, you are just lining out.

George Ertel: Maybe 20 years ago, I learned that this is how you do it.

Mayor Lane: No, it's fine. Okay. Now that I understand what you are doing with it. That's all right.

George Ertel: So as I was saying, Scottsdale Road from the 101 north to Thompson Peak is the most

congested street segment in all of Scottsdale. It's ranked number one with the volume to capacity ratio of 145%. The segment south to Mayo ranked number 32, putting it in the top 10%. The collision rates are not terrible, but they are significantly above midpoint rankings these two segments at 101<sup>st</sup> and 122<sup>nd</sup>. The collision stats done work again until we get down to the two projects. Oh, that works. The two projects with the arrows on them. That's addressing Scottsdale Road from Thompson Peak to Jomax that consists of six segments and every one ranked high between 9<sup>th</sup> Place and 29<sup>th</sup>. On average, they handle traffic beyond 100% of capacity. So while I don't know exactly what these projects are, I believe they can be in the right place. The same is the project on Osborn. It goes from Hayden to Scottsdale. Collisions along there happen at a rate of 127% of the city average. So addressing that makes sense.

Then there's the roundabout on Via Linda. We have talked about that. Below the cutoff line is a project, it's number 18. Pardon me. The one at the bottom is ranked number 18 out of the list. Let's, it's four or five below the cutoff. So, I'm sorry about this. Okay. It ranks. That Via Linda thing ranks very low on congestion and collisions but the one that, at Scottsdale, excuse me, not at Scottsdale but the one at Frank Lloyd Wright and the 101, that has an intersection collision rate of 1.72 vehicles per million vehicles, which is 265% of the average. So based on those numbers, there's a lot of congestion here and really a lot of collisions. The cost of addressing this intersection is about the same cost as the Via Linda roundabout. Doesn't it make more sense to drop the roundabout and use funds to improve the Frank Lloyd Wright 101 intersection.

Last month I said this about Via Linda, it ain't broke, so don't fix it. I'm not going to Shea that Frank Lloyd Wright at the 101 is broke, and it should be fixed. I don't know that it's broken. But I will quote the late John Dietz. He said if everyone said don't fix what ain't broke, we would still be driving around in model Ts. Please fix the Frank Lloyd Wright, even if it ain't broke. Thank you.

Mayor Lane: Thank you, Mr. Ertel. I appreciate that. That completes the Public Comment on the Work Study session.

**ITEM ONE – PROPOSED FISCAL YEAR 2018/19 OPERATING BUDGET AND CAPITAL IMPROVEMENT PLAN**

Mayor Lane: So we have, the one and only item on this session, it's the proposed fiscal 2018/19 Operating Budget and Capital Improvement Plan. And with have the presenter, Judy Doyle, who is the Budget Director and Dave Lipinski, the City Engineer who will be in support.

[Time: 00:12:45]

Budget Director Judy Doyle: Good afternoon, Mayor and Councilmembers. It's hard to believe we are already back talking about the proposed budget. It seems like just a short time ago we were talking about the '17/18 budget. But we wanted to give you a high level summary of the proposed '18/19 budget. The operating and the capital budgets that were released last week on April 10<sup>th</sup>. As well as give you, Council, the opportunity to discuss and possibly give direction on any budget-related items that we can go ahead and incorporate into the tentative budget.

Mayor, as you noted, I will be presenting the operating budget overview and Dave Lipinski our City Engineer will be presenting the capital budget overview. I will mention our City Manager has a couple of slides inserted in here too. The proposed budget continues the city's efforts towards our mission to provide simply better service for a world-class community. The proposed budget also continues to focus on these six strategic goals that are identified in the General Plan. As well as the short-term priority that you, Mayor and Council have identified which make up the organization's strategic plan. The proposed budget is balanced, which I will explain in more detail, as we move through the presentation. The budget also maintains strong reserves, which contribute to our high bond ratings and incorporates priorities and directions that we have received during our various budget discussions, as well as direction provided by our CIP subcommittee. The total proposed budget is approximately \$1.4 billion, which breaks down to \$578 million in operating budgets, approximately \$15 million in grants, trusts and special districts, \$580 million in our CIP, and just over 207 million in contingencies and reserves.

So let's begin with that operating budget overview. The focus tonight will be on the General Fund, as it is the city's largest operating fund, and because its use is unrestricted, we find it is the fund of most interest and significance to our city stakeholders. So beginning with the sources, our General Fund sources are projected at \$304 million in '18/19. I highlighted the three largest sources here with the amounts given to you, just to give you some perspective that sales tax at just over \$126 million or 41% of the total, state shared revenues at almost 66 million, and property tax at about \$31.5 million. When we compared our estimated General Fund sources over the current 17/18 adopted budget, we are projecting an increase of \$21.4 million. Highlighting those significant items attributable to the change are sales tax which we are forecasting an increase of 5.4 million, or 4.5% from the current adopted budget, which I will share more about in detail on the next slide.

[Time: 00:16:15]

State shared revenues at \$2.5 million increase, the majority of their increase is in the state shared sales tax, which the League of Arizona Cities and Towns is estimating an increase of \$1.3 million. I will mention that the League's figures are preliminary and are subject to change. The stormwater fee during our proposed rate and fee and changes discussion in March, and during two of our CIP discussions, there was support to increase the stormwater fee paid by utility customers by 2%. Which will be dedicated to city drainage and flood control capital projects and you will see later in the presentation where we are transferring this revenue to the CIP.

Interest earnings forecast increase of \$2 million in '18/19, due to two factors. A larger portion of the city funds have been shifted to our asset management consultant which is expected to provide increased returns, and the federal open market committee will likely increase the federal funds rate three times in the coming here, which will likely have a favorable effect on city investments. \$1.9 million of projected sources increase is related to the APS reentry utility improvement district, which will have an offsetting corresponding expense for an overall zero impact to the General Fund.

I will mention that you will see this revenue and its corresponding expense revised downward for the

tentative budget. Due to the close proximity of the timing of when assessments were due in March, of the current fiscal year and the release of the proposed budget, and due to the uncertainty of how folks in the districts would prefer to pay, either in full or annually, we were unsure how much to include in the proposed budget. Payments have since come in totaling about \$1 million in the current fiscal year, so you again will see this amount revised downward for the tentative budget. Charges for service, we are seeing increase related to the terms of new ambulance contract. The transfers in increase is primarily from the tourism development fund as a result of City Council's change to financial policy 21a, adjusting the allocation of bed tax revenues from a fixed amount to percentages. And then property tax, which I will get to, into more detail on a future slide.

As I mentioned, we are forecasting an increase of \$5.4 million in the 1.1% sales tax from the current adopted budget. This chart details that breakdown of the local sales tax by category. Originally when we adopted the current '17/18 budget, we had forecasted \$124.7 million, we revised that up just over \$2 million or about 2%, based on the trends the city treasurer has been sharing monthly during his updates. We are forecasting '18/19, at \$126.1 million which is a \$3.3 million or 2.7% increase, based on the updated '17/18 forecast, and about a 3% increase annually over the five years. To quickly highlight some categories with significant changes from that current year forecast, or categories that are frequently of interest, miscellaneous retail stores, where an increase of almost 5% or 1.1 million is projected, primarily due to the trends and increased sales from online retailers. Other activity is forecasted to increase 4.5% or 600,000, which is reflective of a trend that we are seeing. This category includes a variety of services from movie theaters to golf courses, bowling centers, et cetera. There was no single subsector, if you will, that had a major item worth noting. It again, is just a trend we are seeing in this category.

[Time: 00:20:27]

Food stores we shared with you during the March 27 CIP Work Study session that we are projecting a 1% increase annually throughout the five years which is in alignment with the USDA Consumer Price Index. Automotive, automotive sales based on various industry reports indicate that this category will be flat and potentially decline in the next few years. I will also mention that there is a possibility that additional car dealers will leave the city in the coming years. Scottsdale auto show at Salt River currently has three lots that are pending, and two lots that are available. We haven't seen any articles or heard anything. So we are not sure who is potentially moving. Hotel/motel, this category is forecast to increase 4% or \$300,000 in '18/19, the trend has been showing an increase in this category, as well as the revenue received for short-term rentals is greater than originally anticipated.

Construction, we are projecting this category to remain relatively flat over the five years. Not only is there uncertainty in this category as the potential for legislative changes continues. The trend is also showing a decrease in this category for the last 12 months. Also worth mentioning, there were several contractors that were licensed with us previously that we have not been able to match with the Department of Revenue. So we are assuming that that means they are no longer licensed. Rentals we are increasing 5% or 900,000. Commercial and apartment rental rates have increased and vacancies have decreased. There are also, we have seen additional compliance for residential rental

from property managers due to ADOR administration.

And then finally, utilities. We are projecting a decrease of about 100,000 from the current year forecast and holding flat over the five years. Recent trends do show a 5% decrease for the last 12 months. Utilities have been affected by increased competition in the cellular phone sector, driving those prices down. Also, land lines are on the decline, as people abandon their land line and have just their cell phones. So the 1.1% sales tax is what's collected in the General Fund. Our total sales tax rate for the city is 1.65. Of which .35% is dedicated to our Preserve. As you can see, when compared to the other valley cities, our total sales tax rate is one of the lowest. And when you consider our permanent sales tax rate of 1.3%, it is the lowest. In fact, 1.3% is the lowest in the entire state.

I will mention Phoenix's temporary .4% sales tax is dedicated funding to Phoenix's comprehensive transportation, including new light rail lines, expansions, street improvements et cetera. Their temporary tax went into effect January 1<sup>st</sup> of 2016, and will sunset December of 2050. I have also included a property tax comparison to those same valley cities. Unfortunately, I do not have proposed '18/19 property tax rates for the other valley cities yet. So this is comparing our '18/19 property tax rates to the others adopted '17/18 property tax rates. Typically you do not see large swings from year to year. So I do feel like it is still a good depiction of our placement among our valley neighbors.

Gilbert does not have a primary property tax and comes in at the lowest rate of \$1.03 per 100,000 assessed. And Mesa doesn't have a primary property tax at \$110. So focusing on the property tax, this property tax slide, you can see in that.....

[Time: 00:24:55]

Mayor Lane: Excuse me, Judy. You mentioned the fact that our numbers are actually from '18/19. Are those the projected what we have in the budget as the rates, as they would be in the '18/19?

Judy Doyle: Yes.

Mayor Lane: So those are projected forward, not what we currently are living with?

Judy Doyle: Correct. This would be the '18/19 rate for the city of Scottsdale.

Mayor Lane: Do you have at hand off the top of your head, what our rate is if we made a direct comparison with where our other cities are, right now?

Judy Doyle: Yeah, we're currently at \$1.08.

Mayor Lane: Okay. Thank you.

Judy Doyle: Yep. So on this property tax slide, you can see the first column, the improved '17/18,



we are collecting \$26.4 million for the base of our primary property tax which is used in the General Fund, plus the new construction of 300,000. Therefore, we are including a base of \$26.7 million in '18/19, plus that new construction of \$27 million. The proposed budget does include the statutory adjustment for '18/19. The primary levy also includes 320,000 for tort liability settlements and judgments that you have approved during the most recent calendar year which is booked then to our risk management fund. Then the secondary property tax, which can only be used to repay debt service on General Obligation bonds that are upstanding, we plan to levy 34.2 million, which does not assume any potential bond package that you would talk about later this evening in your next agenda item.

I did share with you that a law had passed that required us to levy net of all cash remaining from the prior year. Basically that our reserves could not exceed 10%. We are in compliance with this new state law. In addition to the million dollars use of reserve planned in '18/19, we also made a large one-time payment with reserves in '18/19, when we issued the debt for the bond 2015. I would also like to point out that we do have some of our bond 2000 debt that we pay off in 2021 and more again in 21/22, which you can see reflected in that total secondary levy amount in those out years.

[Time: 00:27:37]

Mayor Lane: Excuse me. On that slide that I think you moved off of. What exactly on the secondary, what is the amount of the property tax on the basis of, is it the 31.9, which is the sum total of the prior six years plus the current year? And I'm not sure what that allowance....

Judy Doyle: This total secondary, that \$34.2 million?

Mayor Lane: Well, I'm looking, yes. But I'm looking at proposed for '18/19. If I look down the amount column, under total primary levy, that includes the 27 plus the .5, .5, 3.5, and the .3?

Judy Doyle: That is correct.

Mayor Lane: Okay S. that what's included in the budget right now?

Judy Doyle: Yes, it is.

Mayor Lane: Are you know, just trying to draw upon our previous conversations on that, there wasn't any indication that we would go back and absorb the previous six years. So it's currently included in the budget right now, that would mean that it might be overstated by some, at least 3.5 million?

Judy Doyle: The 3.5 million is the reach back for fiscal years '11/12 through '16/17, and, yes, that is included as part of the recommended budget.

Mayor Lane: Okay. And I guess what I'm trying to say if it's in the budget right now, this Council has not ever really agreed to include those, those back years on that. So I just wanted to note that

because it may be a point of some discussion further.

Judy Doyle: Okay. This slide really points to the rate. We see an increase in the rate of 2 cents from \$1.08 to \$1.10. Then moving on to the uses side of things in the General Fund, '18/19 division budgets are at \$259.5 million which does not include \$17 million of what we call macro budget. We have a handful of budgets that we develop at a macro level, such as utilities, our pay for performance programs, leave approval accruals. We budget them at a macro level because we know that we will have expenses for, say, paying out somebody's vacation when they leave the city. But we don't know who or when or in what division they had resided in. So we budget a citywide payout amount and when somebody leaves we transfer the needed amount from the macro budget to the proper division to cover that vacation pay out.

We do have a new macro budget item this year, funding to reinstate a city-wide vacation trade program, employees who have been with the city for more than ten years, and who have used at least 80 hours of vacation during the calendar year may elect to trade up to 40 hours of vacation for cash. You can see here that public safety, police and fire are approximately 55% of the General Fund division budgets, which speaks to the priority and the commitment the city has to public safety. Highlighting some of those significant General Fund increases included in the proposed budget are a market adjustment to address your short-term priority of reinvesting in a high performance organization and work culture. The proposed '18/19 budget includes a \$6 million place holder for the first phase of a four-year plan to address employee salaries that have fallen below market comparisons per the classification and compensation study that was just completed.

[Time: 00:31:49]

Mayor Lane: Excuse me one second and it maybe drop back again to the previous slide. In each of the categories that we have there, what is the percent or the dollar amount of increase in those given areas that you have displayed there in those boxes? For example, charter officers, how much is that increase over '17/18?

Judy Doyle: Yeah, I don't have that calculation here. What I will do while Dave Lipinski is going his budget, I can do those calculations and get that for you.

Mayor Lane: Okay.

Judy Doyle: I can tell you at a global level that it is with all of those macro budgets, it's \$11 million increase over the current adopted budget.

Mayor Lane: \$11 million even is in the increase?

Judy Doyle: Yes.

Mayor Lane: And we are talking about '18/19 over '17/18?

Judy Doyle: Correct.

Mayor Lane: It still would be good to see.

Judy Doyle: Yes. So highlights the proposed increases in the budget, are the market adjustments. The \$6 million place holder for the current year, and an additional \$2 million per year will be recommended in the future three fiscal years to complete this program. And H.R. will be discussing this study with you during your next week's meeting. Public safety requirement increases the employer contribution rates in '18/19, resulting in a \$2 million or 11% increase in public safety requirement expenses to the city. Police employer contribution rates have increased anywhere from 4.6% to 6.4% depending on the tier and fire has increased 1.7% or 2.3% again depending on the tier. The proposed budget includes an additional \$1.7 million of General Fund to help cover the 8.1% increase expected for employee medical costs which was discussed with you during the March 6<sup>th</sup> meeting.

Also includes \$2.1 million for continuation of the citywide pay for performance program, through which employees may receive increases based on performance. Also includes \$2.4 million for the public safety performance step program which is about, excuse me, 2% of the total public safety payroll. Here we are just highlights the full-time equivalent changes in the '18/19 budget. We have a total of 23.9 new FTEs and the proposed includes \$4.9 million of General Funded positions. Over half of those General Fund FTEs are in the fire department. Six are to memorialize the action that you took back in November, when we added contingency funding for six positions to address the constant staffing needs of the division.

[Time: 00:35:07]

We also added to the fire department, a new performance coordinator position, which is a requirement of the new ambulance contract and an equipment coordinator to help support the 15 fire stations and 257 firefighters. The coordinator positions will be funded by an increase in revenue that's associated with that new contract. This slide is a high level of the proposed '18/19, compared to the current year and future years through '22/23, total sources and total uses and ending balance.

A few things worth noting that I haven't already covered that debt service line within the uses we do pay off the police and fire radio system, financing debt in 1920. So we no longer have that debt service payment of \$2.5 million beginning in 20/21 transfers include the transfer the amount, for the 1% food tax to the CIP, which was phased in over three years. The amount is approximately \$4.6 million in the current '17/18 forecast for year two of the plan. And '18/19 it's fully phased in at approximately \$6.9 million.

I have graphics on the next slide to hopefully visualize the information a little easier. The columns represent the total sources. Against our sales tax and state shared revenue, et cetera, all of the sources our city treasurer shares with you monthly. The uses are indicated by two lines, the red dotted line and is our total uses and then that solid black line is total uses, less our one-time items and future initiatives. In years two, three and four of the General Fund five-year plan, the ongoing

sources, excuse me, the ongoing uses exceed our ongoing sources. So initiatives will need to come forward, whether increases revenues or decreased expenses or combination of both in those years. We do comply and will continue to comply with state law and annually bring forward a balanced budget.

In '18/19 the proposed budget, the uses exceed sources, however, they have approximately \$4 million of one-time items included. Which I have summarized on the next slide. When you back up those one-time items and just consider the ongoing uses versus the ongoing sources which is the black solid line we are structurally balanced for '18/19 and then it's noted at the bottom of the slide which I will talk more about with a future slide.

[Time: 00:38:03]

Here's a summary of those significant one-time General Fund uses. The APS Raintree utility improvement which is half of the total amount, and which I mentioned has an equivalent revenue associated with, it is having an overall zero impact to the fund and you see this amount reduced for the tentative budget. Here's the series of General Fund, CIP contribution. We comply with the financial policies and transfer 1% of the tax collected for food, interest income excess of \$1 million and the 25% construction sales tax. We will also transfer that increased stormwater fee of \$2 for drainage and flood control projects.

And for the city's baseball facilities agreement with the Scottsdale Charros and the San Francisco Giants we transfer capital improvement for 40% transferred to spring training games. Looking at the General Fund ending balance, the orange at the bottom of the column represents the General Fund reserve which is 10% of our operating budget. That middle green column is our contingency, which is for unforeseen items and does require Council approval. The proposed budget also creates a public safety requirement mention liability beginning in '18/19, which is that turquoise color. This is to begin working on a strategy to start paying down that unfunded liability.

And then that top column, the purple color is the undesignated unreserved fund balance. And so before I turn it over tonight City Manager would wanted to touch on a couple of slides, I wanted to quickly mention the review schedule. Tuesday, May 22<sup>nd</sup>, it's kind of odd. Kicked out on the slide here. May 22<sup>nd</sup>, we will hold our first public hearing and adopt the tentative budget. On June 12<sup>th</sup>, we will have another public hearing for final budget adoption, June 12<sup>th</sup> also included a truth in taxation hearing for our property tax and then finally on June 26<sup>th</sup>, a public hearing and final adoption of the tax levy. And with that, the City Manager wanted to chat on these next two slides.

Mayor Lane: Thank you very much, Judy.

[Time: 00:40:48]

City Manager Jim Thompson: Good evening, Mayor and Council. I wanted to talk about where we are at with some of our taxes and I know many times we assume people I run into all the time, well, I get my property tax bill and they think it all goes to the city. The city of Scottsdale, the, on your tax

bill, for every dollar that you pay in property tax, 48 cents of that goes to state education. 16 cents goes to the Community College. 18 cents going to Maricopa County. 7 cents goes to special districts and what goes to the city as our primary tax of 5 cents, for every dollar you spend and 6 cents on our secondary tax, that secondary tax as we have been paying off our bonds will continue to go down. And so when you look at it, 11 cents of every dollar that you pay in property tax actually comes to the city, five of which pays for police and fire.

And you say, well, that's a good amount. That 5 cents doesn't come close to paying for police and fire, let alone all the other services. Majority of our revenue comes in on the sales tax side. And so, again, these amounts don't cover that portion. What is proposed in the budget this evening is the primary at .53 and the secondary at .57. That's why you have your five and six accordingly to a total of \$1.10. Last year we were \$1.08. That goes up to \$1.10. The Mayor has mentioned that is recovery where we couldn't move forward and it's not a large material difference from the \$1.08 to the \$1.10. Accordingly, which still leaves us at 11 cents of every dollar collected as proposed in this year's budget. If we weren't to go back because of those latter years, it would go down slightly. It would be 10 cents rather than 11 cents of every dollar collected. If you would, please. The next slide, please.

We will show the impact of the next item on your agenda this evening which is the regular session discussion on the impact of the \$350 million GO bond and based on a \$300,000 home, in '17/18, and what that looks like as a tax rate. As our secondary amounts gets paid off which is the blue section, the current debt that's out there, you will see that by issuance of a new 350, it will never exceed where it is today and in fact, it goes down into future years if we issue three successful in issuing \$350 million and getting acceptance of that in the community, we'll actually see a decline over the period of time for our needs associated with roads that we have heard earlier, as well as many other projects in the city. So, again, I wanted to show the impacts of that.

{Time: 00:44:01}

One thing that, the other issues that we pulled out in the budget discussion was regarding sales tax. It was at the lowest on the state at the primary sales tax, the 1.3. It's something that we need to continue to talk about. As we move forward and we look into the future, you started to see this year on some of the numbers, the police, fire costs associated with pensions if we open new stations as we continue to grow and continue to provide the level of service that we provide. We are going to have needs. So one of the discussions we started to have was potentially of a sales tax reform at some point in the future. I do believe that in the future, near, that maybe Council should consider, you know, creating a task force or creating a subcommittee of Council to start to talk about that sales tax reform.

We didn't walking into this year's budget, only because of the complexity associated with the bond and getting to that and talking about our capital improvement needs but I think into the future, we really need to seriously consider since we are lowest in the state on sales tax, can we continue to provide the level of service we have do today, let alone future needs that we may experience staying as lowest as the state. I think that's something we need to talk about. We need to talk about how that is

provided and collected throughout the community. May it be through the tourism side of it, maybe through the food tax. Many of the issues we brought up in the past.

I think it's a good opportunity for us in the next six months to a year, whatever period of time that may be, is to really dig down into that issue as we have with the capital needs and really formulate where we should be and where we need to go into the future to provide the level source that we do. We know we have unfunded liability growing in police and fire in particular, and those are issues we need to address with high percentage with greater than 50% of our police force able to retire. We will have some dire needs walking into that period of time. I want to prepare ourselves and start to have some of those deeper discussions if Council allows, prior to walking into next year's budget the following year. So we are ahead of the curve. We don't wait until 2024, 2025 to try to address those.

Right now this evening, I think the greatest issues, the next item on your regular session is our aging infrastructure and what to do with that, and how we could bring it back up to at least a quality that we historically have appreciated and accepted in Scottsdale. And that's part of the discussion. I wanted to add that a little bit and show the community and the Council where we are at on the tax rate structure I know there's a lot of confusion on that, just any place you go where you talk about property tax. There's always an assumption that I paid a property tax and it all goes to the city. In fact, it's 11 cents that goes to the city and decreasing and we are expected to provide all that we provide with no zero impact funds.

And so, again, I don't know if Council has any questions regarding any of this information or if you have points you desire to make but he know Mr. Lipinski will come forward and talk about the capital next and some of the changes we recently made in some of the CIP side of the equation. In particular, the question was raised prior to our engagement of the discussion. The two roundabouts have been removed from the bond list associated with that and I wanted to make that clear as well and that was based on last discussion, going back and seeing if there were alternatives that would better meet some of the traffic needs that we have in those areas and we were able to find those and remove those. Thank you.

[Time: 00:47:51]

Mayor Lane: Yes. I'm sorry. City Manager, Mr. Thompson, the question that I had is something I brought up a little while ago and that was, the fact that we now have a budget incorporates approximately, or right on \$3.5 million for the back years open the catch up and the last time the Council discussed it, it was not agreed to move into those back years. It was to just go ahead and accept a maximum of a current year of 2%. With that now incorporated in it, I'm wondering, what can be supported or not supported to the tune of some \$3.5 million if, in fact this Council stands by the original decision. I notice that we have 24 FTE adds and I realize that we also as I group try to not get down into the weeds on some of this, but to what extent these positions may be critical. I don't know what this translates into.

I'm talking about 23.8 and I think this Council already knows that we agreed with the one-time

payment for some firefighter training and that's putting them into the program, that they would be part of this budget I'm presuming that when we talk about that, that's the eight individuals that are included in this 23.8. So somewhere in the difference, I'm running up the line and I look at public works at four new people. I'm looking at certainly 7.5, but nearly 8 as it relates to what is considered CNED. And three in the Treasurer's office. And I'm just curious as to how, how important those particular adds are in view of maybe some of the other things we are having to consider. With regard to our bonding as critical needs and whether there is a change if the bond were not to succeed or not be pursued, what would happen to these numbers. Are any number of these dependent upon that?

[Time: 00:50:16]

Jim Thompson: None of the numbers in front of you are dependent upon the bond approval and proceeding on that. They are outside of that scope. Obviously, if the bonds approve, then there may be additional operational costs, such as their fire stations and you have to staff those. Some of the positions so noted are outside of the General Fund are in sanitation or wastewater or what have you, associated with some of the adds, in particular public works and other areas. The firefighters make up 50% of the cost of the adds.

The, I don't know the exact number, but there was probably three times this amount considered in the budget process. We did not fund most, as we did last year. We did not fund many of the adds that were requested by staff, only because we don't have the funding in place to do so. We looked strictly at those that would allow us to maintain a similar or equal to level of service that we currently have. And so these positions are necessary to continue in that light.

I think that, part of that discussion associated with public works or others is that we brought in the maintenance of the trolley buses, which were external before and why they are necessary but the contractual cost is actually less than it was before by bringing that service into the changes to create some greater efficiency and contract out again. And when it comes to the people, that are adds in the budget, as far as the difference, one of the points of going back and doing the reach back in particular, was that we are going from \$1.08 to \$1.10, is a 2-cent increase, which is far less because the secondary tax is being paid down as this graph here depicts and so we have the savings inherent in the secondary tax paid down and we have a minimal increase in the assessment on the property tax we felt that was a great year to go back and try to recover those years that we didn't move forward with our statutory allowed amount. And that's why we included it.

If we decide not to do that and we go back and make reductions, yes, we can but we would also share with you that potentially where we might have reductions in level of service associated with that. The other option, obviously, is to not move funds which becomes more complex. Not move the third year in which we move the food tax into the General Fund into the CIP and in doing so, if we move forward with the bonds if they are approved, we held back a portion of that, that would be equal to the third year, which is the, this is the third year of that food tax moving over to the CIP, not moving over to the CIP, and we would not backfill in those positions that were moved from the five-year CIP, the operational side of the CIP to the \$350 million bond issue. So the \$350 million bond issue is approved and accepted by the citizens. We move forward and we would have room not to move the

third year of the three for which we were taking away the food tax and that would be enough to replenish that back side of the property tax. So we have a couple of options that we can walk down to achieve our end goal.

[Time: 00:53:55]

Mayor Lane: Are you framing this up that it would not be included.

Jim Thompson: If we did not move the food tax into the CIP, but I would only suggest that if, in fact, the bonds are approved. If the bonds are not approved then either that, we reduce some of our capital projects and I would be inclined to reduce some of our capital projects because I would do some of those that were strictly, an example of the bridge that we closed down lanes on. Those would be the projects that we would be doing in the CIP. We certainly wouldn't be building anything new. We certainly wouldn't be doing anything other than absolute emergency and necessities and I would move those funds to the General Fund.

Mayor Lane: Mr. Thompson, could I ask, one of the things that has always been a challenge for just about our entire community, sometimes the Council itself, is when we have a growing economy, valuations on property increase and they have, to, excuse me, a significant degree. I notice you have new construction as an element that we receive every year, which is about \$300,000 which is roughly equivalent to the maximum that we could put on top of, that obviously a little short of that, but each year that number is a bit different. But what has been for the last several years is, and has been fairly constant, other than the great recession, which we weathered through without increasing our percentages. Is the valuation.

So the actual levy that's put upon our constituents, our taxpayers, even though our rate may remain the same because Scottsdale may not exclusively, certainly, have the highest, one of the higher levels of valuation on our property, commercial, as well as residential, do we have an idea as to exactly what the levy has increased and thus what has been received by the city on the basis of both the valuation and maybe a constant rate?

[Time: 00:56:09]

Jim Thompson: I do not have the, unless Judy or Jeff has. I don't believe we do. We would have to come back with the valuation, the assessed value and the valuation of all the properties, obviously. But we get back into those. We tend to deal with and all we are required to deal with is our amount that we set as our mill levy that we assess against. And so that's what we depict, the valuations as you have so noted are cyclical in nature. No different than sales tax. They go up and down according to market conditions. But, again, our portion of that, so if your value went up 10%, it's actually -- you know, you only recognize that value at the time that you sell your home. It went up 10%, and it goes down 10%, but that's an unrealized gain. That's two portions of the formula to base your property tax on. But it, but, again, it's cyclical. I don't have those in front of me.

We can go back and look over a period of time of how that's gone up and down accordingly. I think



we are all somewhat happy when they are up, and we are not so happy when they are down. But that said, it does impact the amount of property taxes. So one thing that doesn't change, though, and it does, I guess I say it does change, we are about a nickel of every dollar collected. And so if we are collecting \$2 or \$1, we are still a nickel of that or 10 cents and the secondary is actually declining. It will go down.

Mayor Lane: And I appreciate the iteration of the facts and the valuation of properties here, but really, as it goes to public, you are paying more tax every year when your value of your property. It's not a matter of recognizing when you are, when your property is sold. It's a matter of the valuation increases as it has, certainly for the past eight years coming off a bad, a recession. So each and every year, the city does receive a good deal more than the rate change might reflect or new construction. But my basic point of concern is whether or not, and I know it has not happened. And I think there needs to be some direction in this respect as to whether or not this Council wants to go back, back and pick up all of the following years. And the \$3.5 million. And if we do not do so, there will have to be some adjustment to whatever has been presented to us today. So that's, that's where I'm at and I appreciate any comments with regard to that, and it looks like Councilman Smith may be willing to start it off.

[Time: 00:59:11]

Councilman Smith: This is to the City Manager to make sure that the public understands that your home can go up in value, up and up and up, but the city doesn't get any more money. We do not have a rate on your home. We have a levy. And so if we are asking you to pay \$100 and everybody remains the same in the city and, you know, it's not going to be affected by the value of the homes and that's, it's a commonly misunderstood, I think, point about our property tax, but, the primary property tax, not the part that is used for bonds. It's a fixed amount. \$25, \$27 million, whatever it showed on the screen.

Tomorrow morning, the property values in the city could magically double for everybody. And the city would still get \$27 million because that's, that's what we asked for. We asked for a dollar amount and it's quite different than some other cities. So some other cities do actually attach a rate and so as your home doubles in value, it's a bonanza for the city, they have twice as much money. That's not the way it works in Scottsdale. The Mayor referred to it and it's \$300,000 which is not taken from any existing homeowner. That is for the new properties that are constructed in town, so that they end up paying at the same dollar amount that you as an existing property owner would pay. But existing citizens wouldn't experience any value. Period. It doesn't happen.

When we look at the, go back to the slide that has the dollar amount split up seven different ways. Do we know, I will talk to the microphone. Do we know whether the state education amount or the community college or Maricopa, are they a rate based, do they go up and down. Ours don't, but do theirs?

Jim Thompson: I will defer to the City Treasurer to answer that.

[Time: 01:01:36]

City Treasurer Jeff Nichols: I'm not sure if they have a levy amount like the city, especially like the school districts. We can look into that issue. But off the top of my head, I don't have an answer to that question.

Councilman Smith: We have an expert in the audience. Maybe he knows the answer, if he....

Jeff Nichols: We do have an expert in the audience.

Councilman Smith: I don't know whether we can invite him to come to the microphone or whether he's comfortable in doing that.

Mayor Lane: Well, wait a minute. You are saying that ours is unique and the possibility is that the school district is not?

Councilman Smith: Correct.

Mayor Lane: I will say when I look at my property tax, and it relates to the city it goes up and every year, even when we don't increase the rate. And so it's either all new construction, but it seems to be more substantial than that, but nevertheless, it does go up.

Councilman Smith: Yours would not be affected by new construction, only the new construction is affected by new construction.

[Time: 01:02:39]

Mayor Lane: Well, I'm saying it does go up. I'm not sure exactly what the explanation, how it applies. I do know it does increase. Even if I concede that point, and I don't believe I'm unique and as far as I know, the treasury, well, either the county or the city treasury doesn't impact me exclusively in this regard, and uniquely. But I am say, you are covering an amount of money to cover the debt and the primary increase, well, we are all paying an increase on the basis of everybody else who is increasing their rates no matter whatever else. I'm just, I'm concerned that we have not asked to go backwards on it. We have been able to move forward without this type of increase and we have it now built into the budget. I think to the very least, the Council should weigh in on the topic.

Councilman Smith: I want to make a point. If you are paying more in property tax....

Mayor Lane: Then I better get it checked.

[Time: 01:03:56]

Councilman Smith: One of two things is happening, which is the city is getting more money, or you are subsidizing other homeowners whose property values have gone up. Maybe yours has gone up

more than other properties in the city proportionately, but it's, it's an absolute fact that the city does not get any more money from the property tax except for new construction.

Mayor Lane: So the valuation that I might contest has no bearing on anything?

Councilman Smith: It has a bearing on the tax that you pay but if yours go down when you contest it, Councilmember Korte's might go up. The community will share.

Mayor Lane: I understand. Well, if I had that condition, I might try to do that, but realize, that's not the point at hand. I do know, and from other properties I have owned and maybe Scottsdale is unique, I have contested valuations and, in fact, it's impacted the rate of my levy.

Councilman Smith: And when it does, you are shifting the burden to other citizens, and that's okay.

Mayor Lane: If it's not right, then they should be doing the same, but nevertheless, that be as it may. I think we need to weigh it on this, and that's whether or not we seek to increase and thus pull the additional money from the public on this element. We haven't done this to this point in time. There's something that we need to at least address. Councilman Phillips.

[Time: 01:05:30]

Councilman Phillips: Thank you, Mayor and my taxes go up too. It's not because Scottsdale is raising our taxes, but obviously one of these, state education, community college, somebody is doing it. I was not on board with the back taxes either. I'm still not on board with it. I just kind of wanted to apologize to the audience and anybody that you have been looking at my back the entire time. Staff is over, there they are talking over there, and we're over here. I apologize for showing you my back side.

Mayor Lane: It's the nature of the Work Study.

Councilman Phillips: Normally staff sits here and that helps a little bit.

Mayor Lane: Thank you, Councilman.

[Time: 01:06:22]

Councilwoman Klapp: We tried to keep the items down as much as we could and not take in the statutorily allowed 2% and I don't really have an interest in going back and changing my decision on those years. I think we could go forward. We have agreed to take the 2% this year but I don't want to go back and recapture the 2% that we did not take since 2011. It's not something that I had agree to our previous meeting and I still don't agree.

Mayor Lane: Yes, thank you, Councilwoman. Councilwoman Littlefield.

Councilwoman Littlefield: Yes, I agree with Councilwoman Klapp. We did not take those years, the 2% allowance that we could have taken as an increase. We told our citizens we weren't going to do that when we did our budgeting for six years. I don't think at this point in time, we should go back and now say, oops, well, we didn't take it until now and now we'll take it. I don't think that's right. If we need to take it to move forward this year, then we should say, yes, we will do it, and be up front and honest and say we are going to take the 2% increase, but we shouldn't go back. Thank you.

Mayor Lane: Thank you, Councilwoman. You know, one thing we have as a comparison, and I know we don't try to follow necessarily other communities, we like to be a leader in it, but the city and/or town of Gilbert, has never instituted a primary tax. All that they do is the secondary, which is to pay for General Obligation bonds and that debt service. And this year we are contemplating two things. We are talking about increasing this primary rate and then going for the General Obligation bonds as well. So I'm not in favor of going back either. So it's, unless there's some other point to be made that would convince or change our feelings on this, my direction would be for the City Manager to go back on the consensus of opinion here and readjust to absent that number. Yes, Councilman.

[Time: 01:08:40]

Councilman Smith: I don't know that I will change anybody's opinion. It doesn't often happen, but I do think there's a rationale for going back and capturing the wavered amounts. It was at a point in time when the city and the country were in a great recession and we were trying to show some empathy and compassion for the citizens at that time. We did. It provided a great tax break for business, but that's because they are the primary property taxpayer, but we are out of the recession now. We are well into the recovery. We have been into the recovery for 12 years and I guess when things get bad, we give it up. And when things get good, we still give it up. I mean, that's the rationale and that's what I find a bit convoluted and where I would prefer to see us go back and recapture that. Maybe we don't have to do it all one year, but maybe over three years or something like that. But the city's costs, fire, police, libraries, everything are what this pays for. And those costs are now back above where they were and we're saying we don't need that money to pay it. I don't understand. I don't agree with the logic. That's my opinion.

Mayor Lane: Most every category has increased in the budget by virtue of the recovery. I think there are other avenues. I will say one more time and that is there is no requirement, in fact, the restriction is that it can only be up to 2% a year, and, of course, there is an allowance to go back but nevertheless, which is why we are discussing, it but there's no requirement to increase your property tax rate every year. There just isn't that. Frankly as we can see, there's communities that don't even use the primary tax basis, and use more for the secondary and the debt service payment.

And so what I would say from the standpoint of the Work Study, I think there's a consensus of the four of us that have talked about it, that we go back and readjust with the 2% and this is consistent, I think with the Councilwoman said. If we will move forward on it, then we pick that up. That is something we agreed to. So I, I'm, I think that's fine. So all right. I don't know if there's any other questions on the item from anybody else, but, yes.....

[Time: 01:11:21]

Councilwoman Klapp: Well, I will follow up on something else that you said, and that is that I looked at the, one of the same things did you, the number of people that were being added across all the departments and I'm sure that some of them were needed. I'm not trying to pick apart the departmental reports but I did go through and read every one of them to see the justification for the people that were being added to departments and so I'm hoping that if you are not going to be relying on the \$3.5 million for the property taxes, that you will take a look at that a little harder than perhaps you have up until now. Some of things that occurred to me. We are adding three additional people in WestWorld for custodial work. I don't know. I'm just asking the question.

We have to place additional people at WestWorld and other departments based on something. I can say in the case of WestWorld, maybe it has to do with revenues. There was also a couple of people added into the Treasurer's office since we don't do tax audits anymore, unless some of them are coming back, I don't know if that's we need to have another tax auditor in, in the Treasurer's department. In the Economic Development department, there was a person added for, I think it was called a business specialist or something to that effect. This would be to provide education and mentoring program within the, within the Economic Development department. I don't see that as the mission of Economic Development to provide an education and mentoring program with a new person in the department and I would hope that if there's a real need that somehow if the department might be able to partner with the Chamber or with the community college system to help provide that service so we don't have to add another person within the Economic Development department.

And also I noted in that particular incident that that person was being funded through tourism funds, which I found curious, the TDC said they didn't agree and I can understand why because the person wouldn't be providing anything that relates to tourism. So I don't know why that person would be brought into the department and the monies that would be used to fund that position would be coming from tourism funds. Those are some examples of things that I saw in there that I'm asking questions about. They may be very valid and you may feel that they are necessary but they seemed an area that I would probably go back and examine again. And that's just a handful of people there and there's probably others because in total there's about 24 new people across the, across the organization that are being added.

Mayor Lane: Thank you, Councilwoman. One thing that I think we discussed a little bit before, as far as the FTEs and that is the only area where there is an Enterprise Fund that's affected and that's water resources for 1.3 people out of the 23.8. You know, I think that as I mentioned before and Councilwoman Klapp is a little more specific about it, this is probably an area that we really need to look at, and I don't know the nature of some of this, but when you talk about custodial workers and whether or not a contract might be a better way to go than to have custodial workers that are permanently on the payroll, but that's again, I, I would certainly reflect upon the assessment that Councilwoman Klapp has made that regard. Yes, Councilman Smith.

[Time: 01:15:23]

Councilman Smith: Two or three other things that were incorporated in the budget that I would like to opine on and then perhaps you can see whether there's a consensus of Council. One is of the increased cost for the class and the comp study, first year \$6 million, and I gather from some comment that it was going to be a total of \$12 million program at its full implementation over four years. I haven't ever seen the class in comp studies. At this point and I know we will talk about it next week. But I have gone on record to say, that I don't agree with this until I look at the study and the methodology and the conclusions and that's a huge part of the increased budget cost next year, \$6 million and I don't know whether we can defer it or wait until we see it. That's one.

The second item that was portrayed was that we were going to put a hole on the unreserved fund balance, and the hold on it was to anticipate pension liability needs. We do have big pension liability needs but I for one haven't seen that study either. I have no idea what we're anticipating to do but to put a hold on the unreserved fund balance for the entire budget year is not something that I'm in favor of doing until I see that study. And then the third point is just, I guess to try that on something the City Manager alluded to and that is that we probably need to have some discussion or subcommittee or the CIP subcommittee continues to look at this but to look at sales tax reform and come back to the City Council with a recommendation, we said in the nicest way he can that it's increasingly difficult to deliver the highest level of service when we have the lowest sales tax of anybody in the entire state of Arizona. And I think it is something that at least deserves discussion, consideration, and then full Council studies. So those are my three issues with this, but I would like to know where everybody else is.

[Time: 01:17:53]

Mayor Lane: I'm sorry, Councilman Smith, the comp study, the other study that you were talking about is the pension plan?

Councilman Smith: Well, there's some reason we are holding back the unreserved fund balance that would go to CIP needs and fix roads and streets and the whole other manner of things. We are not sending it to CIP, we are putting the hold on it.

Mayor Lane: And the sales tax discussion which was mentioned before and not necessarily part of this discussion, but nevertheless, it, it's relevant to what we are talking about. Okay. Any further discussion on these three components as far as whether they are worthy to direction to staff? Yes, Councilman?

Councilman Phillips: Well, I agree with Councilman Smith but I also agree with Councilman Klapp. So you know, with direction that goes to staff, but there's some agreement.

Mayor Lane: Well, unless there's any opposition, we want to take a look at all three of those items as Councilman Smith, as far as any changes. It may play to what we need to do as far as any adjustment or concerns open the income side. Yes, Vice Mayor.

[Time: 01:19:18]

Vice Mayor Korte: Thank you, Mayor. I would like to speak to some of these full-time equivalent changes. You know, it was back in 2009 or 2010 that the sitting Council at that time, you know, forced to reduce operating costs significantly because of the downturn. And at that time, I believe it eliminated, the city eliminated 314 positions. And employees. That was the right thing to do. And what I see is for us to compare ourselves to Gilbert is doing a disservice to Scottsdale. Not that I don't like Gilbert, I think Gilbert is a great community. We have more libraries per capita than any other city, and more senior centers for our elder community than any other city. We have more programs, park programs, open space, Preserve, than any other city, and if we want to be like any other city, then maybe we need to pare down these amenities and offerings that we offer. And in order to maintain those amenities and be what Scottsdale and our citizens want to be, we need some staff to support that.

Now, whether it's 23.8 FTEs, I don't know, but all I know, I do know that I continued to get complaints about the filthiness of our public bathrooms because we don't maintain them appropriately. We don't have the staff to do that. The Civic Center parking lot, and the concerns around the filthiness of the stairwells and, you know, that's just not Scottsdale. And, you know, we can continue to be conservative and pare down and not take back the 2% or whatever, but, but we also have a community to maintain and we have a community to maintain based on the expectations of our citizens. So I think that is an important point to consider as we move forward with this budget process. That we have a citizenry that expected quality and cleanliness and safety and the amenities and the senior centers and the libraries and those are expectations that I believe I have a responsibility to meet. Thank you.

[Time: 01:22:07]

Mayor Lane: Thank you, Vice Mayor. And I certainly agree with you as far as the expectations and the responsibility to not only all of our citizens and the people who visit us, but also to, the overall viability of our city on a standard and a level that we have obtained and held to for many, many years. But at the same time, one of the advantages that we have, that the city of Gilbert does not do and they fare very well with their community, but the Preserve is something the citizens voted to pay for themselves and that was a significant amenities and it is been in process and we are able to accomplish that and the tourism and the developers that really lend themselves to nearly a subsidizing kind of arrangement for us on the overall. So we all benefit from that and I think we do know that. So I think it's important to keep that in focus with everything.

But we also have a major responsibility, simply to be as efficient and as effective with our citizen dollars as we possibly can be. I think that's what we are here to discuss and what we are doing. So I, I think we have a couple of things, certainly the consensus on the items we already listed and talked about and just an affirmation from the City Manager on the three items that Councilman Smith mentioned but also on the item of the property tax. Okay? All right. Unless there's any other conversation on this portion of it right now. I know you have been standing there waiting patiently, but, please, if you would.

[Time: 01:23:55]

City Engineer Dave Lipinski: Mayor, members of Council, good afternoon. I'm here to bring you the Capital Improvement program portion of the budget for this fiscal year. It's been dynamic process, starting last September. In January we presented to the CIP subcommittee the first take on the projects to be included in the upcoming five-year CIP program that. Came to the City Council in February, the CIP subcommittee's recommendation. In March, we went back to the CIP subcommittee, with some changes in revenue, and today we have a little bit different version that version. So I will work off the Elmo because the information came a little later than I could get included in your packet. I apologize for that. I will start with the General Fund.

Ms. Doyle spoke earlier about the top portion being the revenue lines. Each of the sources coming into the city over the next five years with the projections. It went to the CIP subcommittee, pane these projections have changed and I will get into each of those changes and what I'm focusing on is the projected budget and the projects to be included in that forecast. I will come back to this one shortly. This slide runs through where we started and where we are today. The first rollout of the CIP had a five-year funding availability balance of \$15.1 million for new projects to be introduced into the five-year CIP plan. Later in March, when we realized we started to actually get some of the data on the revenues coming in, it was dropped to \$11.3 million. With the list of projects it was brought forward to the CIP subcommittee, through the ranking process, through staff and reviewed by the CIP subcommittee. A list of projects was put forward and the last list of projects that the CIP subcommittee saw topped out at \$10.7 million. We didn't go to the full 11.3. The next project on that list would have put us over that by rank. A couple of changes and clarifications on this list. After the project name, it lists what years in the five-year forecast this project occurs in. For an example, the facilities repair and maintenance program covers all five years. It's an annual budget for it. There's been minor changes across the five years and the addition of the fifth year, which creates that General Fund request.

[Time: 01:26:34]

Working down, you will see a negative number next to 1484, the national fire association protection standards. Through the CIP development process, the fire department looks at the land acquisition for fire station 612, which is two lines above that. 612 is in the area of crossroads east and the fire department looked at this as a time to try and go and purchase land for that station. And during the process, of selecting projects, they agreed to reduce this budget and the NFPA standards budget to introduce this land purchase into the five-year forecast. The standards would allow us, it still leaves about \$1.4 million funded to begin design and construction and made possibly two of the six fire stations included within that budget. As we move down the list, there's a couple that don't have a budgetary impact. The Civic Center Library storytime expansion.

The first one here, that's a move. Last year in the '17/18CIP, that was to be funded '21/22. This year that project is funded in the '18/19 fiscal year. The same with the irrigation control system throughout the city originally last year was adopted in 20/21 and it's being forward to '18/19, that's a critical path to failure. The Civic Center Library Scottsdale Heritage Connection project shows a



reduction of \$407,000. This project was shifted a little bit over its lifetime. It was originally funded last year at \$657,000 all based on, all out of the General Fund. Through refinement, when it was originally submitted this year, that number was changed to be from contributions to the project. After working with parks and working with the heritage fund group, what this project currently represents is funding of \$320,000. \$250,000 of that is from the General Fund and the other \$70,000 is from contributions. So originally it was 657 out of the General Fund and now it's 250 and that shows the reduction in that project.

The other project, the other large change was the removal of the Indian bend wash vista Del Camino, years two through five of this project were moved to the potential bond project list. Year one is still intact, the master plan is underway, but the remaining funds to the tune of \$21.2 million was moved that potential bond project list. It leaves a General Fund funding availability of \$22 million. Which ties there. So that's where we have been on General Fund and what has currently been proposed.

Mayor Lane: Well, thank you, Dave. I appreciate it. Do we have any questions of Dave on this particular item?

Councilwoman Milhaven: Can you send us the updated information you said is not in our packet?

Dave Lipinski: I emailed it to you this morning. And there's a hard copy, it's on there.

Councilwoman Milhaven: Oh, it's in there.

[Time: 01:30:27]

Mayor Lane: This may be just a very simple question and maybe there's a very simple answer to it. Some of these items, and I'm presuming that these are in thousands, these numbers, as far as the request is concerned. They border on a capital expenditure and yet they are not in a CIP category, capital project. Are these facilities, the facility repair and maintenance program, I suppose it sounds, and it should be an operating thing because it probably encompasses a whole category of elements. Go ahead.

Dave Lipinski: These are all capital expenses. The facilities repair and maintenance program that's listed here, this is for rejuvenation of assets, replacements of HVAC systems, roof replacement and large facility replacement that extends the HIV of the existing product.

Mayor Lane: So they all are categorized coming out of the General Fund of CIP?

Dave Lipinski: That is correct.

Mayor Lane: Any other questions from anyone? Okay. Thanks very much, David. I appreciate it.

Dave Lipinski: Now I will jump over to the transportation sales tax portion. This one is a little simpler. This shows the projected revenue as we spoke to earlier. This is not changed in

recommendation for the exception of one project. The original list did contain the 128<sup>th</sup> and Via Linda intersection projects. It's not on the proposed bond funded list either. What staff did instead was pulled the next ranked transportation project to be funded. It's a \$27,000 difference between the two projects and the paving unpaved road actually leverages a SEMAC grant or a federal grant. The \$2.4 million in the General Fund request leverages about \$1.6 million in federal funds. The complete paving of roads, it's an air pollution, air quality issue. That's what the grant was received under. This was the list as moving forward. This is the same as the other list.

[Time: 01:32:49]

The negative balances, the negative balance under the Miller Road underpass at the 101 freeway that was introduced into the '17/18CIP. We had to move it forward this year. ADOT will do this as a part of the 101 widening project that they have started this year. What would be great to do is to make the payment to ADOT and they will handle the construction. The first negative is under sidewalk improvements. What transportation did is they, this was an annual program they used to address the sidewalk issues throughout the city. Instead of carrying the same budget forward, what they did is they reduced years one through four to fund the fifth year. They took the programming amount down a little bit to help to offset some of the larger capital project costs.

Bikeways and trail improvements, the next two that have no impact, they reduced years one through four to fund year five. So it's a net zero. They just rebudgeted across the five years. And everything else has the fiscal year there. Total available CIP was \$18 million. This list represents about \$17.2 million. So there's about \$800,000 available outside of this list. The next prioritized project will put us well over that number.

Mayor Lane: David, on this, this is the use, of course, of the existing transportation sales tax amount, specifically for transportation projects. It looks to me that if you could identify any of these, that you have mentioned federal funding. But there's also a component of prop 400 monies on most of these or all of these? I mean, well, I should say most of these.

Dave Lipinski: Mayor, the ones that have the Prop 400 are labeled on the left-hand side as ALCP.

Mayor Lane: Okay.

Dave Lipinski: They are the Arterial Life Cycle. And they are noted as grant.

Mayor Lane: And if they have nothing in that column, it's strictly coming from our funding.

Dave Lipinski: That is correct.

Mayor Lane: Yes. Councilman Smith.

Councilman Smith: Just a quick question, David. The heading of your graph when it says five year .2% sales tax funding availability. Only .1 is available for capital, for this program; is that not correct?

Dave Lipinski: That is correct.

Councilman Smith: And the other .1 is for transportation needs as well, but operating needs?

Mayor Lane: I think we are good on that then. Seeing no further questions. Thank you very much, David. All right. That does complete, unless there's any discussion by any members of the Council and my part of this, it does complete our singular and exclusive item one on the proposed fiscal year 2018/19 operating budget and capital improvement plan.

**ADJOURNMENT**

[Time: 01:36:09]

Mayor Lane: And with that I would ask for a motion to adjourn the Work Study session, of course. Moved and seconded. All those in favor of adjourning, please say aye.