
This document was created from the closed caption transcript of the November 30, 2020 City Council Regular meeting and has not been checked for completeness or accuracy of content.

A copy of the agenda for this meeting, including a summary of the action taken on each agenda item, is available online at:

<https://www.scottsdaleaz.gov/Assets/ScottsdaleAZ/Council/current-agendas-minutes/2020-agendas/11-30-20-regular-and-work-study-agenda.pdf>

An unedited digital video recording of the meeting, which can be used in conjunction with the transcript, is available online at:

<http://www.Scottsdaleaz.gov/Scottsdale-video-network/Council-video-archives/2020-archives>

For ease of reference, included throughout the transcript are bracketed "time stamps" [Time: 00:00:00] that correspond to digital video recording time.

For more information about this transcript, please contact the City Clerk's Office at 480-312-2411.

CALL TO ORDER

[Time: 00:00:02]

Vice Mayor Whitehead: So it's about 5:15. This is calling to order the November 30th, 2020, city council regular meeting to order. And I am here because our Mayor Jim Lane is unable to be here tonight. He is healing and we're wishing him well and looking forward to having him back. So we'll start with the roll call, with City Clerk Carolyn Jagger.

ROLL CALL

[Time: 00:00:27]

City Clerk Carolyn Jagger: Mayor Jim Lane absent. Vice Mayor Solange Whitehead.

Vice Mayor Whitehead: Here.

City Clerk Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

City Clerk Carolyn Jagger: Virginia Korte.

Councilmember Korte: Here.

City Clerk Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

City Clerk Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

City Clerk Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

City Clerk Carolyn Jagger: City Manager Jim Thompson.

Jim Thompson: Here.

City Clerk Carolyn Jagger: City Attorney Sherry Scott.

City Attorney Sherry Scott: Here.

City Clerk Carolyn Jagger: Acting City Treasurer Judy Doyle.

Acting City Treasurer Judy Doyle: Here.

City Clerk Carolyn Jagger: She's checked in. She's here. City Auditor Sharron Walker.

City Auditor Sharron Walker: Here.

City Clerk Carolyn Jagger: And the Clerk is present.

PLEDGE OF ALLEGIANCE

[Time: 00:01:16]

Vice Mayor Whitehead: We are start with the Pledge of Allegiance. And I will ask Councilwoman Korte to lead it. [No audio]

Vice Mayor Whitehead: Okay. Well, I hope everybody had a nice Thanksgiving. We have in the Kiva with us, Scottsdale Police Officer Nate Mullens, as well as firefighter Luke Coco from the Scottsdale Fire Department. If anyone requires any assistance, they are upstairs.

Spoken comment is being accepted on the consent and regular agenda items. If you are watching the meeting on channel 11 or livestream on your television or other device, mute your device while you are live in the meeting and speaking, and this will help eliminate any audio feedback. Begin by stating your

name, your address for the record and then proceed with your comment. You will be given one opportunity to speak on any or all consent items listed on the agenda. Please limit your remarks to the council agenda items you wish to speak to and stay within the allotted three-minute time frame. The city clerk will orally alert you when you have one-minute remaining, and again when injure time is up. At which time you must conclude your remarks. Staff will mute you once again and you may either stay in the meeting to listen or leave by hanging up the phone. Citizens remotely attending council meetings shall observe the same rules of order and decorum as if they were physically in attendance inside city hall.

CONSENT AGENDA

[Time: 00:02:06]

Vice Mayor Whitehead: Consent agenda items 1 through 3, it is my understanding that we have requests to speak on these consent items and I will let staff bring in the public members who wish to speak.

Senior Management Assistant Megan Lynn: Vice Mayor, this is Megan. Can you hear me?

Vice Mayor Whitehead: Yes.

Senior Management Assistant Megan Lynn: We have two people speaking on item three and the first is Laura Neihaus. I will unmute her on my end. Laura you are in the meeting and can begin speaking.

Laura Neihaus: Can you hear me?

Vice Mayor Whitehead: Yes, go on.

[Time: 00:03:59]

Laura Neihaus: Okay. Thank you. My name is Laura Neihaus the government relations specialist with Harvest Health and Recreation. A cannabis operator on 1555 W Rio Salado Parkway in Tempe Arizona 85201. I appreciate you taking the time regarding consent agenda item number 3. We appreciate your proactive approach to establishing a sound ordinance ahead of the implementation of recreational marijuana sales. One item I would like to bring up is the language regarding testing labs, as you may be aware of the state has a severe shortage of marijuana testing facilities. As an operator we are required by law to have all medical marijuana tested. I would encourage the city to allow for additional independent third-party labs to enter the market at any time, so long as they are certified and authorized by the Arizona Department of Health services even if they are not yet authorized by DHS as of today. I would like to thank you for your thoughtful approach to this ordinance and would like to offer myself and Harvest Health as an industry resource to staff and council should any questions arise about medical or recreational sales in the future. Thank you Vice Mayor and Council.

Vice Mayor Whitehead: Thank you.

Senior Management Assistant Megan Lynn: And Vice Mayor, the final spoken commenter is Ian Lev and

I will unmute him on my end. Give me one moment. Ian, you are in the meeting. Please begin.

[Time: 00:05:18]

Ian Lev: Thank you very much. It sounds like I'm unmuted. I'm name is Ian Lev and I am local here in Scottsdale, and we are in the process of actually building a cannabis testing laboratory. And I support everything that Lauren just said. I got a little bit of a fire drill on my desk on reading the ordinance 4484 that's being discussed tonight. I actually believe once we got all the information, that we're okay, but it did originally -- the language that came across my desk suggested that only independent labs that are already certified by the Department of Health would be permitted to operate in Scottsdale. Upon seeing the actual language in the ordinance it states all independent third party laboratories will be will be prohibited to operate. I think we're good.

I wanted to take the time because I already signed up today, to be on the record and state as such that the independent labs as you may or may not know are explicitly put in place for the purpose of safety testing for the cannabis community. I want to take the time to establish that it looks like we are going to be opening soon and I appreciate your time and I will be available for anyone on the council if they ever have any questions. Again, thanks for your time and work and I hope everyone had a good holiday.

Vice Mayor Whitehead: Thank you. Okay. Since that is the end of public comments, I would like to see if there's any comments from my colleagues on these items. And I see none. So, I will accept a motion to approve consent items 1 through 3.

Councilmember Korte: Vice Mayor. I move to accept consent agenda items, 1, 2, and 3.

Councilwoman Littlefield: I will second that.

Vice Mayor Whitehead: Okay. I'm not seeing how I vote. Okay. Motion passes. Thank you.

REGULAR AGENDA

[Time: 00:08:11]

Vice Mayor Whitehead: We'll move on to the regular agenda. We have a request from the applicant of regular agenda item 4a, Stagecoach & Windmill rezoning, as well as the applicant for regular agenda item 5, Palmeraie Phase II for both items to be continued to the December 7th City Council meeting, and that -- that meeting will have a 4 p.m. start time. But I think I would still -- I still need a motion and a second and a vote to continue these items. So do I have a motion?

Councilman Phillips: So moved.

Councilmember Korte: Second.

Vice Mayor Whitehead: Okay. We have a motion and a second. Let's vote. Motion passes unanimously.

ITEM 4 – FISCAL YEAR 2019/20 ANNUAL FINANCIAL AUDIT

[Time: 00:09:06]

Vice Mayor Whitehead: With that, we'll move on to item 4, the FY-2019/20 annual financial audit. And the presenter is city auditor, Sharron Walker.

City Auditor Sharron Walker: Vice Mayor and members of the council, I'm going to summarize the fiscal year 2019/20 financial audit reports that were submitted by the contracted auditors Heinfeld Meech. And then in the later study session, the acting city treasurer and her staff will summarize the -- I will punch all the buttons -- will summarize the financial results that have been audited.

So with that, I would like to start with giving the public a little bit of background. The City charter makes the Council responsible for the annual financial audit, and the Council is assigned that responsibility to my office. At the beginning of each year's audit, we meet with the auditor's firm and at the November 9th, the audit committee received the audit reports and they voted unanimously to recommend to the City Council to accept the reports.

So the annual financial audit, it includes eight sets of reports. It includes the City's capper and the seven component units, the CFD, the MPC and the SPA. And the audit firm issued an unmodified opinion on all eight of those financial reports. They -- so they concluded in their opinion the financial statements are fairly presented and all material respects and that's the very desirable result because that means that the public can rely on the City's published financial statements. The audit firm also issued its report on internal control and compliance for the financial auditor all eight of those entities and they did not report any significant deficiencies.

So auditing standards also requires the audit firm to communicate certain information to the governing board, the governing body for each of these eight entities and that communication includes key information such as significant accounting practices and estimates, any audit adjustments, disagreement with management, and other matters similar to that. And those letters did not identify any issues for any of the eight entities.

They also attached to those communications the engagement letters which are provided at the beginning of each audit to summarize the work that's going to be done and they attached the management representation letters and in those letters, the City Treasurer and her key staff sign -- basically representation saying that they accept responsibility for the financial reports, and several other audit-related matters, including that they have provided all relevant information to the auditors during the course of the audit.

So any government that received more than \$750,000 in federal funds has to have a single audit and the first piece of this, the report on internal control and compliance based on the financial audit has been completed but the rest of this audit, the other three or four pieces are pending. The federal government has not issued its guidance on how to audit the coronavirus relief funds and you recall that the City received \$29.6 million and coronavirus relief funds through the state and about \$17 million of that is associated with this fiscal year 2019/20. So that's a pretty significant item for them. So they are

waiting to get the federal guidance before they wrap up that audit work. The state also wants assurance that the HURF money was used for transportation purposes and they while they noted theirs is not a legal determination the audit firm did express its opinion in that the City complied with those requirements.

And there are a couple of other reports, one federal, one state that are typically not finished until January/February, and that includes one related to housing monies and then the other is the annual expenditure limitation report that goes to the State.

So the requested action tonight, is to accept the 2019/20 financial audit reports that have been submitted and I will be happy to answer any questions that you may have.

Vice Mayor Whitehead: Thank you. It looks like Councilwoman Klapp has a question?

[Time: 00:14:46]

Councilwoman Klapp: I would like to make a motion to approve the fiscal year 2019-2020 annual financial audit.

Councilwoman Littlefield: Second.

Vice Mayor Whitehead: We have a motion and a second. All those in favor, vote question. The motion passes unanimously and thank you.

Are there any Mayor or council items that anyone wants to bring up tonight? I see none. With that, we will adjourn this regular meeting. Do I hear a motion?

Councilmember Korte: So moved.

Councilwoman Littlefield: Second.

Vice Mayor Whitehead: We have a motion and a second. All those in favor say aye. [Chorus of ayes]

WORK STUDY

[Time: 00:15:41]

Vice Mayor Whitehead: And we will convene into a work study session. Okay. Work study sessions provide a less formal setting for the Mayor and the council to discuss specific topics with each other and City staff and provide staff an opportunity to receive direction from the council. We have three items.

WORK STUDY ITEM 1 – FISCAL YEAR 2019/20 FINANCIAL UPDATE

[Time: 00:16:10]

Vice Mayor Whitehead: We will start with item one, fiscal year 2019/20 financial update and the presenter is Judy Doyle, acting city treasurer and I believe she's on the phone.

Acting City Treasurer Judy Doyle: Good evening, vice Mayor and councilmembers. Can everybody hear me okay?

Vice Mayor Whitehead: Yes, we can.

Acting City Treasurer Judy Doyle: Tonight is the fiscal 2019/20 financial update. The presentation will be delivered by myself and Joyce Gilbride, the accounting director and our enterprise and financial director, Gina Kirklin. Next slide, please.

This is the general fund operating sources by major category. That first column shows the adopted general fund operating sources for '19/20. The forecast for '19/20 are where we thought we would end the year when we adopted the 20/21 budget and then where we actually finish the year. You can see we finished the year within 200,000 of that adopted budget. As you know, it was a roller coaster ride getting to where we actually landed. Prior to the pandemic we were seeing significant increases to our revenues. When you remember when we presented the original proposed budget, just as the shutdown was occurring, we had planned to increase the sources to \$337.7 million, or an increase of \$11.5 million from the adopted budget.

However, due to the pandemic we did a reforecast, and we reduced from the \$337.7 million, to \$319.9 million or almost \$18 million decrease or 5%. The great news is we fared better than we had expected, and we came in \$6.2 million better than that reforecasted amount.

The drivers of that favorable variance include the taxes local category has a net favorable variance of 1.2 million or 1%. There are a few things going on in this category. The 1% sales tax had actually a favorable variance of \$1.7 million, which helped to cover on the next slide, but we also had our cable TV franchise fees coming in higher than forecast due to the timing of '18/19 Cox cable TV franchise fee payment, which was recorded in '19/20. It's being offset by the city bringing in lower gas and electric franchise revenue. State shared revenues are favorable, \$1.7 million or 2% which is solely made up of the state shared sales tax, which is consistent with what we are seeing here at the City with the local sales tax which I will cover on the next slide.

Charges for services is favorable by 1 million or 8%. This variance is the result of a new accounting requirement, related to leased vehicles. We now need to book an equal revenue and expense for the present value of future lease payments to be made by the City to the lessor. While we will see a favorable variance here, I will show you an unfavorable variance on the expense slide of an equal amount, all of which is a wash and has no impact to the fund balance. Interest earnings, favorable due to a greater number of funds being invested in, and a higher rate of return on those investments than forecasted. And then finally, transfers in, was favorable primarily due to higher franchise fees collected in the water and water reclamation fund that anticipated as a result of greater water deliveries, compared to the four-year running average, which consequently affects the transfers in to the general fund. Next slide, please.

So here is the breakdown of the 1% sales tax. We are favorable 1.7 million or 1%. Big drivers of that favorable variance include construction, are mostly due to unexpected increases in building activity.

Other activity, majority of the favorable variance is due to sales from computer software, are hardware sales at wholesalers or manufacturers being better than forecasted. And additionally, this category is catch-all, if you will. If it doesn't fit into another category, it falls here. Such as golf courses, interior designers, lawyers, beauty salons, et cetera, all of which did better than anticipated when we were forecasting the impact of the pandemic. These favorable variances were offset primarily by the rental category, which was unfavorable due to even less rents being collected by commercial and residential properties due to the pandemic. Next slide, please.

This is the general fund operating uses by category. As you can see, we finished with the favorable 1.7 million or 1% variance in the general fund, compared to that 19/20 forecast. Personnel services made up 1.5 million or 1% favorable variance. Contractual services is favorable at 1.7 million or 3% due to a variety of things, such as utility costs coming in lower than forecasted, due to the closing down of some City buildings and reduced use of others as a result of the pandemic. And public works, they had some projected that they had postponed until 2021. Capital outlays, this is unfavorable. This is a result of that new accounting requirement related to the leased vehicles that I mentioned. As I said, we now need to book an equal revenue and expense for the present value of those future lease payments. This is the unfavorable variance that I promised. And, again, all of which is a wash and has no impact then to the general fund balance. Transfers out, this is unfavorable due to there being a higher favorable interest income to the CIP as a result of higher rate of return than expected. Next slide, please.

So, based on those favorable sources and uses variances, the change in the fund balance is almost \$8 million. Next slide, please. This slide takes a look at that general fund, fund balance by designation for the current fiscal year, fiscal year '20/21. It shows what we assumed in fund balance at the end of '20/21, when we adopted the budget and compared that to an updated fund balance based on where we finished fiscal year '19/20. So that almost \$8 million change in the fund balance is reflected in the PSPRS pension, which is to address the public safety personnel retirement system unfunded liability. So that fund balance went from \$132.2 million to \$140 million. And with that, I will turn it over to Joyce Gilbride or accounting director, who will be presenting the next portion of the presentation or I could take any questions.

Vice Mayor Whitehead: Are there any questions? I see none. So, you can continue.

[Time: 00:24:09]

Accounting Director Joyce Gilbride: Vice Mayor Whitehead and members of the city council, if we get the next slide up here, I will go over the City's statement of net position, which is essentially its balance sheet. And this slide is showing total assets and total liabilities for fiscal year 2020 compared to fiscal year 2019. And in 2020, total assets increased \$185.9 million, and total liabilities increased \$29.8 million, are resulting in an overall increase in net position of \$156.1 million. Now, looking at the overall positive change in assets, we can see that the main drivers of the increase were cash, which increased \$95.3 million. Receivables which increased \$43 million, and governmental capital assets which increases \$47.4 million. The main drivers on the liability side were other liabilities, which increased \$63.3 million, and net pension liabilities which increased \$24.7 million, and these were offset by a reduction in bonds payable of \$60.8 million. And then in the following slides, we will review these changes in assets and liabilities in a little more detail. So next slide, please.

So, this slide shows the total cash balance by fund at June 30th, 2020, which was \$746.9 million, and as shown on the previous slide, this was a \$95.3 million increase over the prior fiscal year. The largest increases were in the general fund. The special revenue fund, and the water fund. The general fund increase was due to freeing up about \$17.2 million in public safety payroll expenditures and this was related to the AZCares funding that we received. And then additionally, higher revenues as well as savings from facility closures caused by COVID-19. The special revenue fund increasing cash was due to the \$29.6 million in AZCares funds received at the end of fiscal year 2020. And the water funds cash increase was due to transferring less cash to C.I.P., and increased utility and contractual revenue in 2020. Next slide.

Receivables the 156.3 million this was a \$43 million increase over the prior year, and this was largely in the leases category, due to the implementation of GASB 87 and this was something that Judy mentioned on the revenue and the expenditure side. So, this GASB statement changed the financial reporting for leases by local governments and the City is now required to record lease assets and lease liabilities for all leases that extend beyond 12 months. And the City is both the lessee, where we are financing the right to use an underlying asset, such as motor vehicles or copy machines, and we're also the lessor in things such as SkySong and Airport facilities. So GASB-87 was a significant change this year and it also impacted the City's liabilities as well, and we'll see that later in the presentation. Then other assets \$188.4 million this was a decrease of \$6.4 million over the prior year, and this category consists primarily of prepayments, primarily the pension system payments that are made toward -- that are attributable to a future period, that makes up the bulk of this category.

And now I will turn it over to Gina Kirklin, who will present information on the capital assets.

[Time: 00:28:10]

Enterprise and Finance Director Gina Kirklin: Vice Mayor, Members of Council. Next slide, please. The City's general fund had \$4.4 billion in net capital assets. The largest category, land, totals \$3.2 billion, and it's divided between preserve land and non-preserve land and it's non depreciable. Also non depreciable is construction in progress, which totals \$53.4 million. Construction in progress is a holding in account that accumulates all the costs necessary to put an asset in place. Once construction is substantially complete, the asset is removed from this account and recorded in the appropriate asset category. Streets and storm drains, buildings and improvements, machinery and equipment are each depreciable asset categories of improvements. Next slide, please.

The City's enterprise fund had \$1.4 billion in net capital assets. The enterprise funds include water, sewer, solid waste and airport funds. Asset categories you will see in the enterprise funds that don't appear in the general fund include the water and sewer systems, which total \$1.2 billion in net capital depreciable assets and also water rights which total \$87.2 million in non-depreciable capital assets. Next slide, please.

The City uses straight line depreciation, meaning the assets value is spread equally over its useful life. One year of general fund depreciation totals \$87.4 million. Next slide, please. One year of enterprise fund depreciation totals \$56.2 million. Next slide. When all the annual depreciation is totaled, the

general fund has an accumulative \$1.7 billion in depreciation. Next slide, please. When all the annual depreciation is totaled, the enterprise funds have an accumulated of \$857 million in depreciation. Next slide, please.

The City's general fund added \$227 million in assets, of special notes assets added nearly \$44 million in Scottsdale stadium improvements. Additionally, fire stations, the 68th street bridge over the canal and Drinkwater bridge repairs and trail heads other improvements were also additions. Not all the acquisitions or assets added were constructed or purchased by the City. As development occurs, assets such as streets and storm drains are contributed to the City by developers. Eventually, these assets are depreciated, and they become a liability at the City as they will have to be replaced over time. Of the \$227 million in acquisitions, \$41.9 million was contributed. Next slide, please.

The City's enterprise funds added \$135 million in assets. Of special note, these additions include the Thomas groundwater treatment facility, booster stations, meters, treatment facility improvements, collection and distribution system improvements, airport facility improvements, and a solid waste compressed natural gas fuel station. Again, not all of the assets added or acquired were constructed or purchased by the City. Of the \$227 million in acquisitions, over \$18 million was contributed. And at this time, I'm going to turn it back to Ms. Gilbride.

[Time: 00:32:06]

Accounting Director Joyce Gilbride: If you could move to the next slide, please. So total liabilities as we had shown earlier increased \$29.8 million in fiscal year '20. \$154.9 million that was \$1 million increase over prior year and consists of items such as accounts payable, accrued payable and interest payable an accrued compensated absence was \$39.9 million. That was a \$1.6 million increase, and this represents employee leave that has been earned but not taken. But the main increases were in other liabilities and net pension liabilities. So other liabilities we saw an increase of \$63.3 million, the majority was due to the GASB-87 and the requirement to record a lease liability for the present value of lease payments when the city is acting as the lessee, or a deferred outflow when we are the leaser. And the other items in this category include unearned revenue, customer deposits and -- et cetera, that type of item.

Then the net pension liabilities of \$352 million, this was a \$24.7 million increase over the prior fiscal year. And the increase includes \$5.4 million for Arizona State retirement system. \$16 million for public safety police, and \$3.3 million for public safety fire. And now I will turn it back over to Gina wherein she will discuss the decrease that we saw in our bonds, loans and other payables.

[Time: 00:33:52]

Enterprise and Finance Director Gina Kirklin: Next slide, please. Vice Mayor and City Councilmembers, the City's debt portfolio totals 1 billion dollars of this balance, \$484 million issued through the general obligation preserve and community facility districts were voter approved by the voters at large or within the districts. General obligation and CFD debt is supported by property taxes and collected through the Maricopa County assessor's office. Preserve debt is supported by two separate voter approved sales tax authorizations. The water and sewer debt service issued through the municipality property corporation is supported by utility rates. Excise tax debt service is also issued by municipal property corporation is supported by sales tax collections. Improvements financed to include the Tony Nelssen

Equestrian Center, the Museum of the West, the Scottsdale Stadium and the flood control district, and many, many other items. Finally the other category includes leases, service concession agreements and risk management claims.

This concludes the year-end summary. If there are any questions, we would be happy to address them now.

Vice Mayor Whitehead: Thank you. I see no questions.

WORK STUDY ITEM NO. 2 – MONTHLY FINANCIAL UPDATE

[Time: 00:35:30]

Vice Mayor Whitehead: With that, we will move back to Judy Doyle to the monthly financial update.

Acting City Treasurer Judy Doyle: Great. Thank you. Tonight, is the monthly financial update through October. Just wait for that slide to get up there. There we go. Next slide, please.

Looking at the fiscal year-to-date general fund sources, we are in total \$15.9 million, or 19% favorable when compared to the budget. The majority of the overall increase is the “taxes local” category, at 9.3 million favorable or 25%. Virtually all of which is sales tax, which I will cover on that next slide.

Property tax is favorable at 1 million or 26%, which is related to timing. State shared revenues are favorable 3.6 million or 16%. State shared sales tax is the majority of that variance at 2.7 million, which is consistent with what we are seeing here at the City, with our local sales tax, which, again, I will cover on that next slide, Auto is the remainder of the favorable variance generally considered to be driven by aggressive sales on the part of car dealers offering steep discounts and incentives to maintain cash flow during the pandemic. Charges for services is showing a 33% favorable or \$1.1 million. This is due to hosting a much larger equestrian national show at WestWorld than originally planned. Also contributing to the favorable variance is the timing of the invoice for school resource officers, and for reimbursements from the State and Maricopa County for costs related to the assistance of our fire department, providing a response to fires around Arizona. And then finally contributing to the favorable variance is the TPC payment for the fourth quarter of '19/20, which was received in 20/21. Next slide, please.

Here is the 1% sales tax for October by category. The big drivers of that favorable \$8.7 million variance or 30% are automotive. Again, primarily due to the car dealers doing better than expected, presumably as a result of the promotions and incentives that they are offering. Construction primarily due to an increase in construction activity, and speculative sale activity. Dining and entertainment, restaurants, continue to do better than anticipated, even with their reduced capacity as a result of the pandemic. Miscellaneous retail stores primarily due to increased online shopping due to the pandemic and then other activity due to an increase in taxable sales from computer software/hardware sales at wholesalers and manufacturers. We continue to remain cautiously optimistic, especially with the positive news of the vaccine in sight. Next slide, please.

And here's the general fund uses by category. As you can see, we are running a favorable \$2.1 million

or 2% favorable variance in the general fund uses, while the personal services is showing a zero variance, there's some movement amongst the categories within personnel services which I will touch on in the next slide, but the favorable variance is primarily attributed to contractual services with the majority related to the timing of invoices. Next slide, please.

Here's the total personnel services. Again, that variance is reflecting a zero overall variance but you can see overtime is unfavorable, primarily due to 28 firefighters out of work as a result of the pandemic, workers comp, off-duty injury and FMLA, while the firefighters are out being tested, they are required to stay home and over time as needed to be used to keep the trucks staffed. Also due to covering apparatuses while the wildland fire team, prepared for the fire season, which was worse than usual due to the dry conditions that we have been facing. That unfavorable overtime variance is being offset by a favorable variance in salaries and retirement.

Next slide, please.

This last slide summarizes the expenditure variance, I just walked through but at a division level, which the majority is due to timing.

The change in the general fund balance is \$18 million, about \$3 - \$3.5 million is related to the timing, and as a said, the remainder he will stay cautiously optimistic. And that concludes my presentation. But I'm happy to answer any questions.

Vice Mayor Whitehead: Thank you, Judy. I see no questions.

WORK STUDY ITEM NO. 3 – MONTHLY BUDGET MONITORING UPDATE

[Time: 00:40:44]

Vice Mayor Whitehead: And they will move on to the monthly budget monitor update. And Mr. Thompson, our City Manager will present.

City Manager Jim Thompson: Thank you Vice Mayor, Members of Council. I'm pretty much going to cover, similar to what Judy just covered but I will add a few things and show it differently. First slide, if you would, please.

This was in Judy's presentation for which she did a very in-depth job and I won't be. I will go generally through it, but you will note here, it's very important that we look at our actual-to-actual from last year to this year, and we're only running 1.1 million behind on our sources from where we were last year the same period. I was surprised by that. I didn't expect it to be as well as we had been performing, but note that we budgeted 8.7. That's the difference of 15.9 million to the good, from where we are at to our budget. Then we take the use side and we had last year uses of \$94. This year, \$81.5, again, we consistently made some, you know, reductions from last year and the budget would on the use side, but know in both cases our sources are greater than our uses and we continue to build in a little bit of a cushion on an annual basis, one because we are building up some fund balance to address some of the pension issues which you heard about in both presentations prior. And so we'll address that and next year in 20/21, we have intended to come forward with some ideas of how to address some of those ideas that have presented themselves, but note we are running 2.1 million to the good. So, again, overall, about a 19% greater than what we anticipated, and we're sitting at 18 million more at the end

of the day than what we anticipated through the first three months. Next slide, please.

This is just a reiteration of what I just talked about. But one thing I added here other than the differences between the revenues and the expenses totaling our 18 million, is the -- the positions. I know that at the beginning of the year, we froze many positions and we filled some but through retirements and transitions, we currently -- we hold them vacant unless we find them to be essential personnel, we have been filling those. From last month, we increased our staffing by six from where we were last month, but note that we're still 138 positions currently not filled within the city that we're holding open until such time that we start to see improvements and need to provide those service areas. So the other thing that was noted in Judy's presentation. I thought I would touch on it. One the areas that was noted was the overage in fire department, with absenteeism, maybe from COVID or other related injuries. Note that at least on the COVID side, we set aside 4 million in the cares funding for public safety, and we will be covering some of those costs associated with the coverage of police and fire, and our essential personnel is out of the cares money, and it will be brought back into the general fund. Some of those overages specific to COVID-related activities, we have yet to transfer those funds back to the general fund. So that will even improve our position more, when we move those monies from the special revenue fund into the general fund. Next slide, please.

The one area I touched on consistently since the beginning, because we felt this would be the hardest area hit, it has been the hardest area hit in our overall operations and so this is in the tourism development fund results. But, again, we're performing well, in the sense that our sources this year are substantially down from last year. 5.3 last year which was a banner year, to in this case, 3.3. But we budgeted 2.3. So even in that small amount, we are still running 1 million ahead, which is 42% ahead from what we budgeted. Likewise, on the expenditures, you know, we -- last year we spent 8.2. This year, we have spent 5.6. We budgeted 5.7. So we have a 3% inherent saving from our expenditures to our budget at this point in time in this area as well. Again, managing it very well and paying attention to it. But we are seeing better than what we anticipated in the budget, still far below last year, in this category. Cautious optimism, next slide, please.

A couple of the final thoughts, the year's revenues are coming better in this area by a million. Expenditures by .1 million as so noted, and the decrease from last year. We're still optimistic. We see in particular, if you would put up the next slide, I think it's important we talked about this last month, this is kind of an interesting one it's a telltale sign of where we were last year, where we went, when we closed down the -- the economy was closed for a period of time. That short period of time that was closed, you see the dramatic decline. It rose up pretty quick. We always talked about a U or a V or various swoosh and there's lots of discussions on the economic. If you look strictly at hospitality industry in particular and the tourism area, you will see that we had kind of a V activity. When the economy went down, it went down and then it went down, but it has not come back fully.

The one area that has been, well -- that has done well this year is the ADR, which is the daily rate, the average daily rate that they charge. It's very similar, in fact, similar to last year, but we dipped again in the last month here slightly in the ADR. Occupancy and the revenue per stay is down, but yet the average daily rate is still performing fairly well. Which means those that are coming here are still -- are at least in a market analysis and still willing to pay a fair price for those rooms. So normally what you see, you see that fall substantially with the rest. It does not and so it's still a very attractive place to come. It's just that not as many people are traveling. So that concludes my presentation, unless you

have any questions. Thank you.

[Time: 00:47:53]

Vice Mayor Whitehead: Okay. I see no questions, but I do have -- you read my mind. I was going to ask about the fire overtime and this may be separate but I want -- I hope that the City taking measures to try to reduce the impact on our fire department of COVID, because it's a cost item and, of course, human capital problem. So -- but I'm glad that there is funding to cover that. Also, I just wonder if staff -- if there's a cautious or some kind of plan B, ASU researchers are recommending another shutdown, just a plan B that's being kept in the back in case the cautious optimism is not what we get.

City Manager Jim Thompson: Vice Mayor, members of council, we are always cautiously optimistic in times like today. There's such uncertainty on so many fronts and so as we witnessed in the past, we have had social unrest. We've had behavioral issues to content with and others in the community. So we're very cautious. We're always paying attention to what -- what friends, what we see occurring. We have reacted extremely well, as an organization.

If you recall last year, we need -- we started making reductions right when COVID was known to start to spread and we cut almost, well, \$10.2 million at that time out of our operational side. We just froze things. We reduced back and so, again, if we see those trends, or if for some reason, we have to make some changes, socially or otherwise, we will be adept to that, and we will -- be adept to, that and we will respond. As may not have been the case in the recessions because we always have the hope that it will change. We reacted very, very quickly in the pandemic. In fact, with our emergency ops continues to be open. We meet on a regular basis. We cover all the issues that we are faced with. We cover all trends that we see both within the state, regionally, as well as nationally and internationally and we pay attention to those. Because sometimes we are either on the front or the back side of it. We make sure what was prepared if it comes our area. I feel very satisfied with our reaction to date, and that of the entire organization and I think we have been very responsive and again, just happy that we haven't had some of the maybe deep falls that maybe other organizations have seen. We continue to excel in certain areas and I think that was noted in the financial report as well. So even in the shutdown, auto sales at this point are -- as I recently spoke to one of the owners and one the dealerships in the community, it's been their best year ever. And so there are certain portions of the economy which are surprisingly good. We will see what the numbers look like for tomorrow, for cyber Monday tonight and today. There was some anticipation that it would be the largest. Of for us, that's not always a good thing, because it's through state shared revenue and it comes back to the state and distributed in a different way than directly where the sale occurred, but we're always content and happy and so we -- you know, we're hoping to see good numbers with that as well which means consumer confidence is still fairly strong. Thank you.

Vice Mayor Whitehead: Thank you. And I think we all feel this way. The staff's response to COVID was quick and put us in a very good position, and nobody ever seemed to miss a beat and I certainly appreciate everybody on staff during this hard year. So with that, if there are no other comments, I will -- oh, Councilwoman Littlefield?

Councilwomen Littlefield: Thank you. I'm very, very pleasantly happy with what the results are to date on this. I tend to be a little bit more pessimistic, I guess, looking forward and a lot of my financial

readings and studying that I have done, a lot of the U.S. companies across the country have taken on massive debts lately, in order to survive this COVID-19, the pandemic, and the closures that we have all gone through. And so I would really recommend cautiously optimistic. I think the numbers are excellent from what we expected, and I'm really pleased with that. But I think that we still need to be very, very careful of where we go with our funding. One the things that I would look at is paying down debt, if we possibly can, especially the pension liabilities. They climb every year, and if we are not really careful, they are going to overwhelm us at some point in the future. So that is something that I would particularly like us to focus on. If we have any extra monies, just hanging around that we don't need. I would also suggest that we keep very sufficient cash or cash equivalents on hand for any emergencies that might come up. Thank you.

ADJOURNMENT

[Time: 00:53:29]

Vice Mayor Whitehead: Thank you. And are there any other -- well, I will entertain a motion to adjourn.

Councilmember: Move to adjourn.

Councilmember Korte: Second.

Vice Mayor Whitehead: Okay. All of those in favor say aye. [Chorus of ayes] We're adjourned. Thank you.