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CALL TO ORDER

[00:00:03]

Mayor Lane: I'd like to call to order the May 19, 2020 City Council. It's a Regular Meeting.

ROLL CALL

[Time: 00:00:18]

Mayor Lane: So, call that meeting to order and I'd ask the City Clerk to please conduct the roll call, please.

City Clerk Carolyn Jagger: Thank you, your Honor. Mayor Jim Lane?

Mayor Lane: Here.

City Clerk Carolyn Jagger: Vice Mayor Kathy Littlefield?

Vice Mayor Kathy Littlefield: Here.

City Clerk Carolyn Jagger: Suzanne Klapp?

Councilwoman Klapp: Here.

City Clerk Carolyn Jagger: Virginia Korte?

Councilmember Korte: Here.

City Clerk Carolyn Jagger: Linda Milhaven?

Councilwoman Milhaven: Here.

City Clerk Carolyn Jagger: Guy Phillips?

Councilman Phillips: Here.

City Clerk Carolyn Jagger: Solange Whitehead?

Councilwoman Whitehead: Here.

City Clerk Carolyn Jagger: City Manager, Jim Thompson?

City Manager Thompson: Here.

City Clerk Carolyn Jagger: City Attorney, Sherry Scott?

City Attorney Scott: Here.

City Clerk Carolyn Jagger: City Treasurer, Jeff Nichols?

City Treasurer Nichols: Here.

City Clerk Carolyn Jagger: City Auditor, Sharron Walker?

City Auditor Walker: Here.

City Clerk Jagger: And the Clerk is present.

Mayor Lane: We are here operating as we are. We have transitioned into a new format for our City Council Meetings and follow the guidance issued by the CDC and pursuant to the Governor's executive order.

It is being streamed online at [scottsdaleaz.gov](https://www.scottsdaleaz.gov), so the public can listen and view the meeting as in progress.

MAYOR'S REPORT

[Time: 00:01:40]

Mayor Lane: It is Public Works week and I would like to read the proclamation. The Scottsdale Public

Works department has been working on the front lines and continues to provide essential services to residents and businesses throughout the COVID-19 pandemic.

This is the 60th annual Public Works Week sponsored by the American Public Works Association and it is the interest of all citizens to have an understanding of Public Works and Public Works programs and its impact on our community. I proclaim May 17, 2020, as Scottsdale Public Works week.

It is in recognition and remembrance given the particular situation that we are in national and state emergency with COVID-19 and deeming what is critical infrastructure is something that comes first and foremost in the continuing of not only sustaining our City, by the survivability of our City.

So, it is front and center right they are to be recognized.

MINUTES – MOTION AND VOTE

[Time: 00:04:05]

Mayor Lane: I'd like to request an approval of the Regular Meeting Minutes of April 21, 2020. I believe those minutes have been distributed and if you have any questions or comments on those? Seeing none, I request a motion to approve.

Councilmember Korte: Mayor, I move to accept the minutes.

Councilman Phillips: I second.

Mayor Lane: All those in favor, please indicate by 'aye". It is unanimous for the minutes. Thank you very much.

ADDED ITEMS – MOTION AND VOTE

[Time: 00:04:18]

Item 22 was posted later than the 10-days for the public and requires a separate vote to add the Item or continue.

Councilman Phillips: I move to accept the agenda as presented.

Councilwoman Klapp: Second.

Mayor Lane: The motion is made by Councilmember Phillips to accept as presented and seconded by Councilwoman Klapp. Moving right along to our Consent Items 1 through 18.

City Clerk Carolyn Jagger: Your, honor, we need a vote.

Mayor Lane: I'm sorry. All those in favor, please indicate by 'aye". It's unanimous. Thanks very much on that.

CONSENT AGENDA

[Time: 00:05:48]

Mayor Lane: Moving to our next item, agenda items 1 through 18. Councilwoman Whitehead would you like to address the agenda and or a motion?

Councilwoman Whitehead: I want to point out that Item No. 4, Happy Valley rezoning and normally I don't like to see rezoning on consent, but the developer did a good job following up with everybody and for the most part, everyone is very satisfied. So, I'm leaving it on consent.

MOTION AND VOTE - CONSENT AGENDA

[Time: 00:06:47]

Councilmember Korte: I move to accept Consent Agenda Items 1 through 18.

Vice Mayor Littlefield: Second.

Mayor Lane: We are then ready to vote. All those in favor, please indicate by 'aye". It's unanimous on the acceptance.

REGULAR AGENDA ITEM 20 – MONTHLY FINANCIAL UPDATE

[Time: 00:07:11]

Mayor Lane: Moving right along to our Regular Agenda Items 20 through 24. Number 20 is first on the list is our monthly financial update and our presenter is Jeff Nichols, our City Treasurer. Welcome, Mr. Nichols.

City Treasurer Jeff Nichols: As you can see on this slide, there are still positive variances and while our favorable variance actual to budget is still positive, it has been reduced to the number in the second column in the bottom, 6.6 million. A majority of that came from the taxes local category. In that category, we'll drill down a little bit into our sales tax category and take a deeper dive if you will.

We have four sales tax categories that still show positive variances. 2.1 million in the retail stores category. Retail stores category is being driven in part from the increased software sales and in the last report that I made to Council, just last month, only one category had a negative variance and that was food stores. My, how things have changed in 30 days. You will see in personnel services, it is our overall positive variance of 3.3 million and an increase of 2.9 million and as you can imagine since the last time that I have last reported, the City Manager has been extensive efforts to reduce the cost for the City through the end of the fiscal year and it is starting to show up already.

And the salaries at 1.8 million and the positive variance of 2% and the majority of the 2.1 million and they is due to community services not filling the part-time positions and in public safety, the positive variance with ranked promotions for employees coming in at a lower rate than the person that vacated

the position.

Operating divisions by expenditures. We have positive variances, except for fire. For fire, it is the staffing that is required by the fire department and there are various reasons for that. I won't get into that here. Just know they are doing their best to keep that negative variance as small as they can.

You see in Fiscal Year 19/20 a positive change in fund balance of \$43 million and I can assure that it is going to much less and we are going to talk about that later in one of our presentations, so no need to go over that now.

And this time of year, what I like to do is talk about where we think we are going to end the forecast. For the General Fund and Operating Budget sources, we are looking at a negative \$6.4 million and at the end of the fiscal year, we normally have a positive variance because we are very conservative. However, we are looking at a \$4.4 million positive variance within the uses category. And so, at the end of the Fiscal Year 19/20 our budget forecast, we are looking at a positive change in General Fund balance \$7.7 million and an overall negative fund balance of \$2 million change in fund balance when comparing to the forecast.

With that, I will take any questions that you may have.

Mayor Lane: Thank you, Mr. Nichols. Any questions from the Council? Seeing none. Thank you very much.

REGULAR AGENDA ITEM 21 – PUBLIC HEARING AND ADOPTION OF FY 2020/21 RATES AND FEES

[Time: 00:12:25]

Mayor Lane: Next Item of course, is 21 and the adoption of Fiscal Year 2020/21 rates and fees and we have presenters of Judy Doyle, our budget director and Brian Biesemeyer our Water Resource Director.

Judy Doyle: Good evening, Mayor and City Council. As the Mayor stated, this Item is the adoption of the proposed rates and fees for fiscal year 20/21.

The rates and fees were posted on our website mid-March, so the public would have a chance to review those at least, 60 days ahead of today's hearing. We have modified a handful of the rates and fees since they were presented to you in March. One area of change is Water Resources and our Water Resources Executive Director will present the changes in his presentation.

In lieu of the directors coming back up for a second time to review 84 slides of detail, I will give you a brief recap. The rate and fee changes are included in your Council report and the March 3rd presentation is also included in tonight's packet.

There have been changes to the planning development services rates and fees. We are removing from consideration, the \$1 per month capital stormwater fee that was proposed. Brian will speak to the rate changes of Water Resources and the rates and fees that are not changing Dan Worth had presented the Public Works with decreases due to the collapse of the market and recyclable materials and the fire that

destroyed the vendor's facility in 2019.

The Aviation department are proposing to modify their fuel flowage fee, transient parking fee and rental car concession services and the airport staff hourly rate.

Tourism and Events are proposing fee changes for venue street use, off-street parking spaces, and unidentified venue for special events. They are also proposing a new fee to off set costs for removal and event load in and load out on the canal banks.

Community services, including WestWorld proposed a variety of changes, all of which were proposed in detail on March 3rd. Fire is increasing their permit rates due to the higher cost of issuing permits in man hours. And finally, police is proposing changes to their off-duty rates.

That concludes my recap, as I mentioned directors are available for questions or I can turn it over to Brian.

Mayor Lane: Thank you very much, Judy. Hearing no questions, we'll move on to Mr. Biesemeyer.

Brian Biesemeyer: We are now proposing no increase on the water rate, 3% increase to sewer but implemented mid-year and some miscellaneous charges particularly for water hauling and meter deposits.

Pretty substantial difference, on the water side we asked for 3%, and wastewater side 3%. On the right, you will see the difference. You will note if you do the math, the 1.3 million for sewer, half of that is not 590,000, that's because our sewer rates are based on the winter average on the water side. We take the winter average, 3 months in the winter and 90% and estimate it as the amount of sewage that is flowing back into our system.

Recognize that it is only an estimate, it is a standard practice in the industry. It is not exact and impacted by wet and dry winters. We had a very wet winter and you can see the impact on our estimate there and it reduced our revenue estimates because folks used less water and it will impact several slides later.

Why the change for the water rates? A couple things. Revenues are on for our revenue projections. We had a little dip but there has been an uptick as the weather has gotten warmer and the revenues seem to be on forecast.

We have been able to delay some of the capital spending even with some of the drought measures and for the well work for dry years, but with the wet winter that we have had this year and last year, the Colorado River projections look good for the next couple of years and we think that we can push things out and thus, proposing do so.

We asked to get another conservation specialist on staff. That's been taken out of our budget request. We have some Operating Budget reductions and a large part is the reduction in the increase of the Colorado River water through the CAP.

The CAWCD, which is the governing board for the CAP recently approved an increase in their rates substantially less than their original request. Originally, they are requesting a rate of \$217 per acre foot and the new rate is \$213 per acre foot. And they have another reduction next year of what they forecast.

It amounts to a \$2 million decrease in our cost in the next two years and again, very thankful for the board for revising their rates downward. It is still an increase. I don't want to say that we are not seeing increase cost because it is going up from 199 to 213. But 213 is better than 217.

On the sewer side unfortunately, we do not have that flexibility. Again, because we had a wet winter, our forecast for our revenues is significantly below our actuals or actually, below our projections.

We do the estimates in the winter and we are collecting on a winter estimate, which was last winter. Since I last presented, we actually have our last winter and it was a wet winter and our revenues expect to be down for the next fiscal year. We have been able to push out some of our capital spending, but nowhere near what we could do on the water side. Our projected was around \$39 million, our actuals are closer to 36, we are about 3 million behind on our revenue collection. We expect the year to end around \$4 million under on our revenues.

How does that look? I will give you an idea of up and down years. Based on 16/17 and the gold line that you see on the line is the increases that Council granted us on our rates and if all of the volume would have been the same on the water usage, this would have been the revenue that we collected. In 17/18 was a dry year. You see the impact in 18/19 with the increased revenues. 18/19 was a very wet year and you see the impact on our 19/20 and same goes for this year.

We use a 3-year projection and we try and use the average and still, it effects our revenue collection. And in 20/21 it is assuming the rate projection that we are asking for in January and the growth factors, as well.

On sewer side, we are asking for an increase in the base rate of \$0.75 per residential customer per month, so only 6 months out of the fiscal year. The distinction is one penny on all of those rates. It is off by a penny. We are increasing the volume metric rates by a penny. They are set by the customer.

As you expect, commercial laundry has a stronger number in the right side than a residential customer. But it is based on those generic classes. But it is one penny difference.

[Time: 00:25:26]

Brian Biesemeyer: Going forward, what does that do for our five-year average? As you can see, our five-year average with the increase in combined rates would be 1.7% per year over the five-years. How do we compare industry wide? The gold line is the water and trash consumer price index and the black line is how our municipal utilities have actually done with rates. You can see that we are substantially better than the industry standard.

We are asking to cover funds for our water fill station on Pima road and just some funds to make sure that we can recoup the cost of our hydro meters when they are leased out to private contractors. So,

how do we compare with other utilities? As I always state, we set our rates on our cost and not other utilities, but we like to see how we do with other utilities in the Valley. Like I always say, don't look at the far-left side because they are no comparison to Scottsdale and don't have the topography and beauty that Scottsdale has.

With that aside, we are very competitive, and the rate increase here would increase rates by \$0.83 for this particular user with a five-inch meter for \$0.83 a month for the six months of the fiscal year that it would be imposed. For the larger size, the typical customer with the one-inch meter with an estimated sewer flow of 12,000 gallons, the increase is \$0.87 per month for the 6 months that it would be imposed.

For the year, it is about a \$5 increase for the residential customers they experience in their bill for that 12-month period. \$0.87 a month by six. And this is a repeat of the original slide, which is what we are asking for the rates to be and Council to consider. And that concludes my presentation pending your questions.

Mayor Lane: Thank you. Very nicely done. I see no questions. You have covered it all.

Brian Biesemeyer: Then, I told Judy I would also bring up the next slide for you, instead of going up and down and show you what staff's recommendations are.

Mayor Lane: Mr. Brian Biesemeyer, obviously, these are the Council report and what and staff is recommending?

Brian Biesemeyer: Yes.

Mayor Lane: We are at a point of the adoption of the Fiscal Year 2020/21 rates and fees. We just had the hearing and we don't have any public callers on this testimony on this topic right now.

MOTION – ITEM 21

[Time: 00:29:31]

Mayor Lane: I would ask, if it is to Council's pleasure to take this as one vote, unless there is some objection with any particular item in it, I would ask for a motion for the entire Item 21 with the ten ordinances and resolutions listed there. And we can forego all of the reading of the individual ordinances, I presume. Is that okay, Council? Unless there are any other comments, I will ask for a motion to that effect. Go ahead.

Councilmember Korte: Mayor, I move to accept all ordinances regarding adoption of Fiscal Year 2020/21 rates and fees presented in Item 21.

Mayor Lane: And associated resolutions.

Councilmember Korte: And associated resolutions.

VOTE – ITEM 21

Mayor Lane: The motion is made by Councilwoman Korte and seconded by Councilwoman Klapp. We are ready to vote. All those in favor, please indicate by 'aye". It is unanimous. That completes that Item 21. Thank you, Mr. Biesemeyer and Judy. Yes, thank you very much.

REGULAR AGENDA ITEM 22 – PUBLIC HEARING AND ADOPTION OF PROPOSED FY 20/21 BUDGET

[Time: 00:31:08]

Mayor Lane: The next Item is Item 22, the public hearing on and adoption of the proposed Fiscal Year 2020/21 budget and Council may adopt and propose a tentative version complying with the statutes and city charter. With that being said, I think that we have Mr. Nichols at the podium and welcome back.

Jeff Nichols: Thank you, Mayor and Council. On May 5th, we received the direction from Council and I'm not going to read it. I believe that we listened and followed the request to return with a realistic projection of revenues and matching it as much as possible year over year. This slide compares the Fiscal Year 2019/20 budget to the Tentative Budget 20/21.

A reduction from the 9.4 to the 3.3, it doesn't explain the whole story. By that, I mean if you look in the right-hand column with the revenues and transfers in and total sources and they are \$1.9 million less than Fiscal Year 2019/20 and total adopted uses are 13.1 million for a total spread of 32.2 million when comparing budget to budget. Now, I think that it would be instructive to walk you through how we arrived at the Fiscal Year 2020/21 Tentative Budget. This was put together by my staff and all of those are shapes that a recession can take, except I think the square root one. Maybe she was testing my math. But forecasting is very difficult and there is a lot of differences with economists and as background to this Council and people who are listening, there have been 12 recessions since 1937 and none were related to a pandemic. So, no one has gone down this territory before. And our economy and I want to stress our economy, Scottsdale's is worse than what we projected for the Tentative Budget, then we need to react to that and the sooner, the better.

However, now that the Governor has lifted the stay at home order, our economy for programs and services should be available and I know that you are receiving calls and Bill Murphy is. The economist forecasts and the ones that I have been reading every day are for the greater Phoenix area, Maricopa County, Arizona, but they are not specific to Scottsdale and we have a very specific economy that we are dealing with.

So, let's begin with the Fiscal Year 19/20 as the ending fund balance because that is what is going to carry us forward and start us off with our trajectory of the Fiscal Year 2020/21 Tentative Budget. When you look at it, please note that the total sources over uses for this point are 7.7 million and the total sources over this same period of time decreased \$17.8 million and total uses decreased \$5.2 million so a spread of \$23 million between sources and uses. The end of this current fiscal year is going to be our starting for next. That's going to take me to my next slide.

You look at the fiscal year proposed and the tentative and the difference and comparing the 15.6 to the 3.3 million. A decrease of 31.2 million, the revenues down 29.8 and transfers in down 1.4 and total uses

a decrease of \$19 million reduction, which includes \$18.3 million in reduction in expenditures.

This is where we were pre-COVID-19 and any changes are related to the pandemic. If you compare the Fiscal Year 2019/20 and 2020/21 budgets, we have reduced the sources \$49 million and we have reduced total uses by 24.2 million for a spread of \$73.2 million.

We have listened. We have heard you. And we have taken appropriate and realistic action on both sides of the ledger.

[Time: 00:37:30]

Jeff Nichols: Now, focusing on the Fiscal Year 2020/21, let me show you the \$31.2 million reduction in total sources in detail. We reviewed all sources, revenues and transfers in.

The sources in bold are the revenues that we reduced from the proposed budget as a result of COVID-19 total of 31.2 million. When we take a deeper dive into our sales tax, we have reduced sales tax downward from 20.9 million from the proposed budget. The proposed budget is what we thought pre-COVID-19. Of note, the retail store categories, the largest sales tax generator and hotel/motel is the smallest at 4 million.

The significant decreases in the sales tax revenue by month and these decreases were forecasted after the May 5th presentation and in attempt to extrapolate what we were seeing in our March sales tax activity and most effected by tourism and the hotel/motel and the restaurants and were reduced mainly that are not associated with tourism for example automobile. We don't have many tourists coming to Scottsdale to buy a car. Peoples buying habits are being impacted by new sources morning, noon, and night.

I took the reductions and applied them to our Proposed Budget and in total of \$20.9 million. This data is significant since what staff received since the beginning of the shutdown, staff will continue to review as we move forward and make adjustments as needed to both sources and uses. Finally, property tax slide and the secondary property tax can only be used to repay debt on general service bonds that were approved by voters and outstanding.

In 2021, we plan to levy \$33.4 million, which is \$400,000 more than in 2019/20, but because the property values went up, the rate is decreasing to \$0.50. This is related to the 2019 bond program and of course, staying below the promised rate of \$0.57 per \$100 of assessed property value. The levy which will be used by General Fund will increase 1.1 million to \$33.7 million. This includes the statutory adjustment approximately \$600,000 and new construction at \$450,000. The primary levy also includes approximately \$1.8 million for liability tort settlements and judgments that Council has approved during the most recent calendar year, which is booked to our risk management fund. The primary property tax rate will increase from \$0.52 to \$0.54 and our total rate in 2021 will remain flat at \$1.04 per \$100 assessed property valuation.

I will turn it over to the City Manager for his Proposed Budget and the Tentative Budget before you.

Mayor Lane: Thank you. Well done. I think that we do have a question from Councilwoman Korte.

[Time: 00:42:37]

Councilmember Korte: Help me to understand why we compared the Tentative Budget to Proposed Budget opposed to the adopted Fiscal Year 2020/21?

Jeff Nichols: Mayor, Councilmember Korte, which slide are you referring to?

Councilmember Korte: When we went into the next slide, it was proposed to tentative and so, I know back when we met before, we asked for a budget to budget adopted year 2019/20 to tentative adopted 20/2021.

Jeff Nichols: Councilmember Korte, I believe that the first slide addressed that. What I was trying to show was the movement and the direction that staff received on May 5th and our response to that. If I would have just continued to show adopted to adopted, I don't think that it would have been easy to explain. So, it is for ease of explanation. Where were we before, to where we were on May 5th, to where we are today.

Mayor Lane: Jeff, maybe I lost you a little bit with your explanation and I saw the slide and thought about the same thing. Now, as you explained it, ultimately, aren't we talking about the 2019 to 2020s adopted budget to our current Tentative Budget for fiscal year end on 6/30/21?

Jeff Nichols: Yes, I know that the first slide said tentative on top, but it is for you to adopt it. Don't get lost in the nomenclature. Those are the differences in that.

Mayor Lane: Okay, so this slide here is a little bit different than the previous one and you were trying to demonstrate where we were as opposed for the Proposed Budget for 2021 at that time. Did I get that right?

Jeff Nichols: In this one, I'm trying to explain --

Mayor Lane: This is budget to budget. Just as we have asked.

Jeff Nichols: That is correct. In the further slides, I was trying to show how we got from April 7th to May 5th to now, May 19th and I couldn't do that just adopted budget to budget. It would have been very difficult to make that reconciliation.

Mayor Lane: Okay, I think that I understand what you are trying to get at. I'm still concerned about the adopt budget from last year to Tentative Budget this year and how we have changed on that. What do we do with that other 23? Go back to the other one, yeah, the 20.3.

Jeff Nichols: All of these relate to the Fiscal Year 19/20 budget. The year that we are in right now. I had to bring Council to the point where we were going to launch.

Mayor Lane: Got ya. I understand completely. The ending uses and balances carried forth.

Jeff Nichols: Yes.

Mayor Lane: I appreciate you going to that depth. The first time around it sounded a little funny. I have one observation that I think is important for the public to be aware of. You touched on it; I think very well. When we looked at your slide that has the 12 months of the year for the next fiscal year and the analysis of the decreases that have occurred in our sales tax categories. Yes, the one that you have up there right now. This is actually after 3½ months of much lower figures than we actually see here. I mean, the hotels and the resorts were at a substantially less number.

Jeff Nichols: That is correct.

Mayor Lane: So, as we are in the process of opening back up and things are coming back online and some of the hotels and resorts that are opening up or frankly, taking reservations they wouldn't have otherwise, that's what we are anticipating with this number here.

Jeff Nichols: That is correct.

Mayor Lane: This indicates that we are coming off of the bottom of the entire shutdown.

Jeff Nichols: We consider, I consider the month of April the worse month. Now the Governor has lifted the stay at home order, I think that we are going to have two better weeks at the end of May than in the beginning of May. My hope is that June continues that. You will still note that we are still down significantly and hotel/motel in July, we reduced 75% and significant reductions. They are not back to where we were before, but hopefully, as the psychology wears off on more, we see this uptick.

Mayor Lane: Yes, absolutely. Thank you. The only other question that I might have had is on the property tax, on the primary, the levy that incorporates the up to 2% increase that we are talking about?

Jeff Nichols: That is correct.

Mayor Lane: Now, we had not taken that in a number of years on a downturn and in a very, very healthy economy that we had just prior to COVID-19, we ended going back and picking that up. Since we are not raising our rates on most of our rates and fees is this an appropriate thing to potentially give our property owners, I should say on all levels residential and commercial some break here. One thing that I would forecast a little bit and in the sales tax revenue category, is rentals. We do know there is some weighted effects on folks who have either extract by negotiation or elimination or may have left without paying it. You are going to have certainly property owners of homes and frankly, of commercial property that are going to see a bit of a hit at this point in time is not something they will recover through any process that we know of right now.

My suggestion is that we are talking in the area of \$600,000, but as a show of respect over the impact that this has had on just about all of our community and whether or not that is not something that we could remove. And with that, unless there are other comments on that right at the moment -- oh, I'm sorry. I fail to look at this thing. It is not even in my view anymore. Yes, Councilwoman Klapp.

[Time: 00:50:37]

Councilwoman Klapp: Well, where are you going with that, I would make a comment that I would agree

with you, I would take out the 2% increase on the property tax. I would agree with that. What I wanted to speak to, and the Mayor spoke to it a little bit and I really like the month to month charts that you are showing us. The percentage change and the dollar change.

To me, that gives me a lot more comfort that you have taken a look at this very carefully in order to come up with a revenue figure. I thought those slides were really good ones and I wanted to thank you for that because it helped me to understand what is going to happen next year and what we will see in revenues next year. Obviously, we are going to be watching it closely as time goes on. This will be a great thing to follow because we are going to be talking about it on a regular basis and we can see whether or not this is reasonably accurate. So, thank you for that.

Jeff Nichols: You're welcome.

Mayor Lane: Unless there are any other comments on that, I'm going to hold the item until we have the City Manager spoke.

Jeff Nichols: Thank you.

Mayor Lane: Yes, Councilwoman Whitehead.

Councilwoman Whitehead: I had my little button pushed. Yes, we are doing the 2% on the primary and because the secondary is declining, it is pretty much a wash, is that correct?

Jeff Nichols: Yes, that is correct, the rate increase is .0003 cents.

Councilwoman Whitehead: I don't see and as we are trying to be really conservative with funding and we are trying to assess the impact of this is not evenly on all residents. So, I would say keeping the property taxes even is very good for our residents and removing \$600,000 for funding for those who might need rental assistance is a more valuable place.

I want to point out in 2018, in the last downturn, it is not like we raised property taxes 2% in 2018, we made up for all of the years they weren't raised. I would keep it even than in a down year save and in an up year, have a jolt on that. That's my comment on that.

Jeff Nichols: Thank you.

Mayor Lane: Very nicely done. So, on the same subject I think we will move on to our -- oh, I'm sorry, no. Oh, yes. Our City Manager and he's sitting in place. It is one of the more common features that we used to have with our Work Study Session. So, you have your own speaker and control yourself because it is aimed right at me.

City Manager Jim Thompson: Thank you, Mr. Mayor and normally I'm on that side, but to keep our social distance, I'm over here. I'm going to spend some time talking about why we are why we are and the reductions that we made in the revenue side and the expense side. They exist because we have faced a pandemic like we have never before, and this is the first declared emergency in the City of Scottsdale. We are looking for flexibility.

You will see at the end that I'm talking about a recommendation that we come back monthly and have study sessions with City Council and walk through what the revenues are coming in at and if we see changes on the revenues, we would recommend further changes to the expense side to reflect that.

Additionally, the reductions and differences and we still remain with 3.3 million to the good depending on the discussion that was occurring on the property tax portion. The first slide that I have is a reiteration I think of what Mr. Nichols covered. But to be exact, Council recommended and asked us to bring back an adopted to adopted and we don't have an adopted to adopted yet, we have an adopted to a tentative. Again, I went back one year and included a general number. Because I thought it was important to look at 2019, 2020, and 2021. To look at where we have been, where we are, and where we are going.

You will see there was an increase, and this is important because in our budget we have certain requirements. I'm going to talk about this in a little bit that we can't do without. These were anticipated before COVID-19. Many of those, you will see later are associated with contracts that are in place to provide software and our pension increases. In particular, police and fire and things like that are inherently going to occur as long as we continue to operate and the utility bills that are associated with the City that we of rate and unless we remove some of the buildings and structures that we have or shut down utilities for a certain period of time, we are going to see increases in those areas. We immediately reacted and the first city to make reductions associated with COVID-19 and at the forefront of ordering supplies and associated with that and I'm very proud that we continued to do what we did and had a safe environment to do it in. We did not shut down majority of services that we provide during COVID-19 and I have heard that many areas and segments shut down operations, but we did not. We continued to provide a majority of our services. Water, sewer, and police. And the seniors that came to the senior center before to receive meals, we found ways to deliver meals likewise.

The tentative sources and adopted to tentative, which will eventually be titled adopted. I don't have proposed on this one. I'm going to go over that, as well, to show that timeline. We reduced it by 14 and bringing it down to a 303745 and the sources over uses is the 3.3 million as Mr. Nichols addressed.

Again, to touch on the increases, there were additional increases associated with the contracts. We also had a very large increase as you can imagine at this point on custodial services and it was 1.6 million and we did bid it out and it was a low bid. And once we begin to open our public facilities, the frequencies of those cleanings are going to be three times a day rather than one time.

Mayor Lane: If you are talking about the increases in expenditures due to contracts and commitments of \$14½ million was that related to -- you mentioned the thing about disinfectant and cleaning services and janitorial services and how much of that was associated with COVID-19 contagion.

Jim Thompson: A small portion of that the original bid. Right now, we have assigned staff members to do the day-to-day cleaning. We had issues with some of the facilities and because we accepted the lowest bid, the service was not adequate for us and we spent time for staff having to clean as well. We tried to capture a higher level quality going into this bid process and then, of course, COVID-19 hit and they were disinfecting the various areas around here and those are our two on staff members and not associated with the janitorial services and we have 16 individuals that we have reallocated duties such as those to ensure the safety and well-being of everyone.

[Time: 01:01:43]

Mayor Lane: The reason that I asked about the COVID-19 increase in expenditures because it is substantial of course and talking about contracts and commitments. What kind of commitments are included in that? Are these unpaid commitments?

Jim Thompson: Well, currently, until they provide the service. Yes, but, they are commitments. For example, police pension and software on our computers. And again, every year, utilities and we have to pay our utility bills and when SRP have increases and so forth, we are obligated to pay those. So, those are the contractual obligations that continue to incur.

Mayor Lane: So, known increases in commodities and it was 1.2 or 1.4 as far as the pension additional payment?

Jim Thompson: 1.4 on the additional payments for police and fire in particular.

Mayor Lane: Essentially, the net effect is about 13 million in reduced expenditures because you have that increase and offset of the 27.5, is that correct?

Jim Thompson: That is correct. But we have an account for the additional reductions. When you add those together, it gets to a much greater number.

Mayor Lane: All right, thank you.

Jim Thompson: You're welcome.

[Time: 01:03:25]

Jim Thompson: And then, we have the change from the adopted to the tentative and I wanted to show the adopted by tentative and by division. You see the Mayor, Council, City Attorney, City Clerk, administrative services that is Information Technology, IT.

All of the increase is reflected with their increases and Mayor, that goes back to your question and although we increased in other areas of Information Technology and the amount of the increases and the contractual relationships made it increase.

Although we had a couple hundred thousand dollars reductions in other operations, we have that increase. Community services, 3.1 million. But note these decreases and many of them that we walked in was due to COVID-19 and as we start up some of those services and I will talk about that shortly, we may have to bring back some of the staff associated with the service level that we deliver.

Fire and Police increases and the majority of which is for the pension plan. And the increase in the custodial services in Public Works and I noted earlier why those increases occurred.

Next, we did a breakdown of the Proposed Budget on April 7th and the tentative on May 19th. I added

one that is was not in the original packet that we prepared. Here, we break it down by division and you can see the areas where we have all of the reductions and additions and brings it to the number that Mr. Nichols showed of the reduction from last years to the 18.3 million and those are all of the areas and reductions by each of those areas.

The next one is the slide that we added. This is a new one. We showed the adopted. We did have the forecast in there and show where we went to where we anticipate ending at and your tentative for this year. Your adopted 19/20 and tentative soon to become adopted 20/21.

We went from 286 to 277 and the forecast for the end of this year is 280 and takes us to the difference that we will add at the appropriate fund balance at the end of this fiscal year and that's estimated based on our forecast.

Mayor Lane: What is in our system and if you mentioned it, I didn't quite catch it that the 286 went to 296 on the 20/21 proposed?

Jim Thompson: We went from the 286 19/20 to the tentative of 277, please note what is not included to make that difference associated, so we are comparing the 2019 adopted to the 2021, we did reduce the additional 3 million --

Mayor Lane: I must be looking at a different slide. It has all of the same categories, but not the word "new".

Jim Thompson: So, you are on the slide just before, Mayor.

Mayor Lane: I don't have a number on that.

City Clerk Carolyn Jagger: Your Honor, it is in drop box has a separate file. We just got it late this afternoon.

Mayor Lane: So, I don't have that one.

Jim Thompson: This is the new one that we added today.

Mayor Lane: Never mind.

Jim Thompson: The summary of staffing changes and this gets a little more complex and we are apples to apples and we converted many of our part-time to FTEs and we have some positions and each employees and 1/10th of an hour or week and run a program at the rec center or the senior center and I gave you the FTE count to compare apples to apples and I'm going to break that down, so you can see those individuals.

We have removed 12 FTEs for this fiscal year, and we added 19. But we did freeze 26 that were vacant positions, but total FTE. It is substantially more positions, but a lot of those are part-time or otherwise. So, it is 26. We unfunded another 15 through the end of the year. If you add the 26 and 15 and the 15 are associated with closures, you are at 41 positions that won't be funded for the entire year next year.

The last one and we proposed a half a year on 44 additional positions, which could be substantially more because there are many part-times in this list. We could bring some of those back as I mentioned, as we open facilities. We also removed the contract workers as of 6/30 at the end of the fiscal year. 24 positions that are currently filled by contract and those are 24 individuals and some of those are part-time and it converts to a lesser hour.

We did redeploy 60 of our staff members to other areas and I touched on some earlier of delivering meals and such. We did act on it immediately and moved people around and some we deployed to our small business center that we enacted at the beginning of COVID-19 and we had rec cleaners that were assigned to one civic and one at City Hall as you arrived this evening. They have now been redeployed and we have also pulled staff.

Many of them, we had to let go when we shut down the pools and for the ones that were willing, we moved over to maintenance and cleaning and shrubbing. And we moved out to WestWorld for the facilities that were in need of painting that we would have otherwise contracted out at a much higher cost.

Next slide, now, I'm going to get into the depths of these. I think that it is important to understand them. Here are all of the positions. To get to the 12, it is actually 11.89, but I rounded to 12. There are one or two assigned and two whole people and then, there is portions of individuals. Again, that's where you have a part-time individual and these have been eliminated out of the budget.

The adds, you'll note, the majority of which are in public safety. 14.60, it is 15 and we rounded up. 14.60 of those are FTEs in the fire department. Some of those are in the saver grant and last year, after we had our budget, we approved them and now, we have to fund them in this year's budget as well. And we had the saver money, but as the saver wears out on six of those individuals, we are going to have to pick them up this year and we did add them in.

We added a management analyst and a street maintenance worker and WestWorld facility manager. The next one is our part-time positions closed. This one is important. You will see a total of 242 total. Keep in mind, many of those are very short hourly employees that work 2 or 4 hours. When COVID-19 hit, many facilities closed and we stopped some of our programs and we had to send some of these individuals' home and I have heard that the City didn't make reductions and yes, we did. 242 individuals and that's how we made savings. Of these 242 and as we started to re-open facilities, some of those we are going to open slowly.

For example, aquatic center, we are going to open those for swim teams and then, lap swim and eventually, we may open for family swim. The touch points in the aquatic centers and our rec facilities, there is many. We are going to do this methodically and gradually. That's why you see the number at 876,000 proposed in this year's budget, but you would think it is greater but we are timing it with the re-opening and the sequence in which we are re-opening. You'll see the library pages and there are 17, some of those we may not bring back.

Our goal is to re-open two of the libraries and wait and see how we do financially. We are going to book drops at the other two, but may not be open for individuals to come in. And during the busiest

times is when we plan on re-opening those directly. When we had low demand, we think that is inherently, where we ought to achieve our savings. So, that's what we are going to do.

Here's the contract workers and administrative services and we had one. City Manager, we had four. Keep in mind that public information is also under the City Manager area and some of those reductions are there. There was community services seven. Fire one. Public Works four. And the water is two and for the General Fund, the water is outside of that.

For the entire year here is the breakout of those. If you have any questions, I'm happy to address them. Otherwise, I'm going to go to the next slide. I think that it is important to realize that we are going to be bringing these individuals back throughout the years as we start to add more and more of the services back.

Summary of staffing changes and this is to just recap what I went through. We are not going to be spending time on that. Here's what I want to talk about in a moment, and I know this has come up a few times in the discussions that I have had with the community and otherwise. What is our full-time equivalence of the City? In '06, '07 and further back, we didn't include the Mayor and Council with that.

If I back them out, these numbers would drop even further if I included the ones from the earlier years. I couldn't find data to substantiate that, so I left it the way that it was. Right now, in comparison to '05 and '06, it is 145 positions less. And population growth and I assume that next year we wouldn't have any population growth, but we know that we will. And the issue that has been looking at past discussion that have occurred have been regarding the number 240,000. The next slide, I show the per thousand. You will see in the last 15-years, we have the lowest amount of per thousand employees that we have had over that period of time.

Mayor Lane: Yes, I'm sorry. Councilmember Korte.

[Time: 01:18:27]

Councilmember Korte: I don't mean to interrupt the steam that you have. How does the FTE count per thousand residents compare to some of our Sister Cities?

Jim Thompson: We are actually involved in a process right now with the comparable data and the City's benchmarking program that we are going through, and this is one of the comparable areas. And in 2005, many counties and cities don't have the type of visitors and activity that we have. Nor do we believe that the level of service that other jurisdictions provide is the same that we provide.

If you look at our services compared to others and even simple things as trash service and we do monthly pick-ups of bulk trash and there is no other city in the Valley that does that. Our numbers, if you take that into account actually drops us even more. They don't like us to include the preserve when they compare open space and we like to compare apples to apples and others take offense to that.

So, we are working through that as neighboring jurisdictions. At one time we were the highest and I do not believe that we still hold that and when we take the other matters into account, we are actually lower than the others based on that. Thank you.

Again, without the population staying stable and if we have increases like we do the past couple of years, this is probably going to drop to 9.3. But we will see what our population is. And I thought that it would be important to share that with the trend that we had been doing. At the end of the day, our service is impacted.

The next four slides and I'm not going to go through these line-by-line because you all would be upset with me by the time that I was done, but I wanted to share with the community and all of you all of the things that we have done since January. Granted we did not see our first COVID-19 case until later when it was announced and came forward and we walked through some of the highlights and we have to track this as part of our emergency response and we track every date that we do and all of our expenditures of -- and we have staff that's assigned to do these duties, as well as our other duties throughout the day.

We had our first patient reported and Scottsdale Fire Department was the first responding to our case here on February 27th and we have had our second one on March 3rd and from there, it escalated. The next slide and the timeline portion and March 16th was a key date that the CDC recommended that all events be canceled of no more than ten. If you remember, we were in the middle of spring training and most of our facilities were totally closed by March 23rd. However, even though our buildings were closed, we still offered a majority of our services, especially those that were essential. We had more park closures and the stay home and stay healthy and stay connected order was issued by our governor on March 30th.

Many individuals who may have been out at that time started to stay home and we didn't have any activity anywhere, except in our parks which increased substantially. And the trails and park usage, including trash has increased substantially. Now, we are on the other end of it. We started to re-open facilities.

The Mayor issued his proclamation on Friday and I have a long list and I did not put that in there, I'm going to be send it out to all of the Council when we do our press releases of when we are opening facilities. We are going to continue to follow through on that.

The next slide is very important and what we didn't talk about last time. Here we have a scenario and we want to talk about recovery. We looked at areas and in particular, some other cities that are over \$500,000 population and received direct funding from the federal government from the first three CARES Act bills that came forward.

Phoenix received over 230 million and the State of Arizona received 1.8 billion for its citizens and the County of Maricopa received funds. The City of Scottsdale did not receive direct funds. We have applied for grants through FEMA and others that are available to us. But we have not received any direct funding from the CARES Act and if we receive any funding, most likely to the state, we made recommendations where we come back to Council and have discussions.

First, we want to replenish our personal protective equipment and these is the expenditures that we have absorbed in this year's budget to pay for these things and we have community assistance and we believe it would work well based on what we are hearing from our small business community and care

for our vulnerable senior citizens and we believe that is key and food delivery and looking at our food delivery programs and potentially using CARES Act money to continue with that and enhance it for fall.

We didn't put any numbers or percentages because we didn't want to have any false expectations not receiving any money at all.

Mayor Lane: One second. Councilmember Phillips.

[Time: 01:26:15]

Councilman Phillips: I have two. Does someone have a question before me?

Mayor Lane: I'm sorry. Councilwoman Korte. Okay, all right.

Councilman Phillips: Mr. Thompson, my question was the possible use for funds, if those COVID-19 funds came into the City, weren't they with strings attached and mandated to go to certain things. It is not like we can put it in the General Fund.

Jim Thompson: They are restricted, and the state was given the same restrictions and the state can add additional restrictions when the state distributes. They could have more guidance but could not be more opened. We wanted to make sure that we addressed the major issues and impacts to our community. At this point, we don't know. That's why we are somewhat generic in our statement and we didn't want to set a guideline until the point in time when we could sit down and form late a program.

We have talked about it and had multiple meetings with the business community. I have received many ideas from many of you and we are prepared to implement many of those. We are going to implement a few things outside of this. We have talked about the downtown parking and the enforcement and the potential in the downtown area for signage for pick up and drop off for specific businesses and deliveries. Some of those things have started to be addressed internally and don't have a direct impact on funding, but something that I think we can do.

Councilman Phillips: Thank you, that is a long answer. I just wanted to make the point that if we get money to spend, it would have to be on specific things.

Jim Thompson: That would be your decision.

Mayor Lane: If I can add a little finite and we are not a city over 1,200,000 and of course, you know that. These were tagged to be reimbursement for COVID-19-related expenditures. It has morphed into other things for the counties that have received their funds directly. We are still in process and in fact, I was going to pose the question to Mr. Nichols with that interaction with the Governor's office and the concern that we are going on right now and the furtherance of the Q & A that was established a couple weeks ago.

There is little chance that we are not going to have some distribution from the state on it. The argument was whether or not it had to be confined to just the direct payments to just the Cities that were 500,000 or more that left us out of it at this stage. I think there will be a fairly substantial amount of money.

As the City Manager indicated, we are going to have to massage this around a little bit with the direct payments and rather than just direct reimbursements. That's one of the reasons that I asked you what reasons for the costs were COVID-19-related. I know that you are separating that out and with the assumption that maybe where we need to go.

That's the correct assumption, right?

Jim Thompson: Yes.

Mayor Lane: Councilwoman Milhaven?

Councilwoman Milhaven: I know that you have great relationships with the Governor too and I was wondering if you had any sense if you know what we were going to get and when we were going to get?

Mayor Lane: There has been a dialogue and the Governor has felt at this point in time it was in terms of reimbursing and the call is in view of a lot of things and Jim, we caught to sit down and talk about these very things and how you developed them and how they may or may not being received in the Governor's office directly. I think that we are going to get funds. It is going to be a matter of exactly how they are going to be restricted. We can say restricted or how they are going to be applied by us.

The reason that the state and the Governor is receiving this fund and for the populations under 500,000 is because smaller towns and villages almost don't have the capacity to put together the programs and to assist them. We are not in that league.

Councilwoman Milhaven: It is my understanding that it is for COVID-19-related expenses that are not previously allocated, which obviously we have here. But the businesses in the community are looking for assistance and I would rather that we get clarity sooner than later and that is our fair share.

Mayor Lane: It is a redistribution of federal funds.

Councilwoman Milhaven: But we are going to get our fair share?

Mayor Lane: That's right.

Councilwoman Milhaven: You have always been a good advocate to make sure that we got as much as we could. I certainly trust that you are going to continue to do that and make sure that our business community gets what it should.

Mayor Lane: Perhaps, I should direct that question to Mr. Nichols. Has there been any standings as our liaison?

Jeff Nichols: Mr. Mayor, not in relation to the CARES Act and I was reading today that the state is under a lot of pressure from some of the communities and some are threatening lawsuits and I did a backhanded allocation of what the City of Mesa and Phoenix has got and my estimate is \$45 million.

Now, what they are going to do, I don't know, the Article from the Governor's office said that information is forthcoming.

Mayor Lane: Yeah, that is in motion. Thank you for that. I don't know, are you continuing on?

Jim Thompson: Ready to proceed further.

Mayor Lane: Please do.

Jim Thompson: We can come back to that if we desire. The impact on the fund balance and we shared this earlier. I wanted to go in more detail, and we talked about our fund balance and they are obligations with the fund balance and the 18/19 adopted and the tentative and the comparison.

If you look at the total fund balance at each of those years, we are at 50 million, seventy-seven. That's the difference and that was shown on both Mr. Nichols presentation and my first slide this evening. The obligations of that are some of what you consider to be designations, which are done administratively and some of our reserves which are done by Council. There is an operating purpose. There's an operating contingency of 3 million which is the 10% associated with our budget and the operating reserve and the operating contingency and the operating reserve is tied to the operation 10%. And then, the infrastructure reimbursement project and if they meet their criteria, we set that aside and we did so walking into next year's budget. We have our five-year, which would be half of that. It is still a couple years out. We can still reduce it down, but it would move to the PSPRS and we keep it at 500,000.

The budget that we propose this evening does not impact your fund balance in a negative way, however, it starts to increase slightly where we did the infrastructure set aside for that project.

The next slide and I want to talk about public safety for a moment and I think that it is very important why we are setting aside that designation and today where we see the increase might occur. 2024 timeline, and the police and fire time point to retire and we have 1/3 of our police department that can retire in that time frame because of the longevity associated with it. We have the net pension liabilities and established on an annual basis and it is established by doing an actuarial study and 92.8 percent funded in the fire department pension and when we see the retirements, it is going to change and that is the reason for the set aside and we prepare to calculate for that.

We are utilizing some of that this year to train and bring on board. That's why you see the 12 additional firefighters this year. We don't want half of the staff be three on call rookies on the fire trucks. So, we are starting to train and up-front front load that knowing that 2/3 is going to be leaving us.

The police department is a different story. We are 51.9 % funded, \$181 million unfunded in the police department pension. That's why we started to set aside these funds and to bring that down and appropriately in the tax years for the individuals who are receiving those benefits and not put a whole burden on the next generation. That's why we are doing what we are doing. And it is so we can plan accordingly and meet our fiduciary responsibility.

If we continue the trend of 1 million a year until the retirements occur, the number will jump even more substantial to that and that's why we are setting aside the funds, so when it occurs, it is not as impactful

to us on the operation side.

Mayor Lane: Yes, Councilmember Korte.

[Time: 01:40:11]

Councilmember Korte: Thank you, Mayor. Help me understand if we are currently paying down the unfunded liability for both plans and expect them to be paid off in 17 years, why are we accruing \$51 million?

Jim Thompson: The unfunded liability is not shrinking dramatically, and we are seeing increases in the same amount of officers every year, so their actuarial studies have not been accurate. My fear of a new actuarial, they aren't going to assume a 9% rate of change and it is going to be worse.

That's why we started to build up the fund and front load the firefighters on the saver grants and otherwise to allow us to have the experience on the truck. There are two reasons why we have started to set aside and in particular, with the police department and it has to do with the accounting mechanism, what is a liability.

When the state bills us, we are paying 100% what the state bills us. But they are billing us the same. If we don't start buying it down, it is going to go to 47 and 49 and 51. And even though the state says we are going to buy it down in 17 years, we aren't.

We are doing the fiscally wise thing and potentially start buying down that liability when we feel it is the right time. The state investment pool is more than ours because we are fiscally conservative and at some point, we might consider buying down those liabilities.

Councilmember Korte: Thank you. I would like to propose a concept here, an idea given the healthcare crisis that we are in and the recovery plan for which other cities have recovery plans because they have the monies, the federal monies that have been funded by the state and by the federal government. We don't. And it is really unknown at this time whether we are going to get those funds. Hope to, but it is still a question. That perhaps, we use some of those PSPRS set asides to fund some of the community needs.

We know that vulnerable citizens and we trying to continue to keep food at their doorstep and that's a tenuous program and it requires a lot of things from staff, etc., and it seems given today's environment that we should be more responsive to our citizens and we could use some of these funds to jump start the recovery here in Scottsdale in a Scottsdale way.

Mayor Lane: Well, I'm not sure exactly what's the proposal. Certainly, that has been kicked around a little bit for the use of taxpayer funds and federally and if those funds are going to be made available. The first distribution of the CARES Act has been made and had a significant impact even though the magnitude took additional time to get it in place.

So, this money should come on in the meantime and you probably know that we are working with the IDA and the chamber with regard to put together a private effort on that and we were looking to take

and use some of these funds to insert into that program as far as assistance on start up.

Councilmember Korte: So, the \$5,000 grants and in a total of \$200,000 doesn't really --

Mayor Lane: No, I'm saying that it needs to be joined up with the funds from the feds and we have the restrictions in our charter and I don't know what action that we could take if we choose to use taxpayer funds to give individuals or businesses.

So, the easiest thing is the federal support and the state support is to use those funds to facilitate those things. Soon or later, we have to come to grips with what we are going to do with the pension. And I know that we have a disclosure requirement and we are supposed to have a plan of action and the City Manager has been very judicious and his approach to it.

It is like a boat and throwing money into a hole in the water and it just seems to get worse and worse no matter what. I thought that we were up to 55% or some number like that as far as the contribution on the police pension fund, but I may have gotten it wrong.

In any case, that is something that is real that we are going to have to eventually confront one way or another because it doesn't go away with time. And although it seems that we are paying a hefty price each and every month as a percentage of their calculation it never seems to stop where they want additional money.

Certainly, appreciate your proposal and think it is something that we need to address and there is an awful lot of money with the 2.2 trillion and there is still an awful lot of money out there and it would be nice to get it used.

[Time: 01:47:25]

Councilmember Korte: My suggestion is that this comes up at the next City Council Meeting if Scottsdale doesn't get our part of the federal aid.

Mayor Lane: That seems like a reasonable request although this is not on today's agenda.

Councilmember Korte: May I suggest?

Mayor Lane: Well, you might make a motion with the Mayor and Council if you choose. Any case with that suggestion and we have a request from Councilwoman Whitehead.

Councilwoman Whitehead: I just wanted to add to that as we are waiting for state funds, I agree with your urgency, but I don't like the idea of touching that fund, but I have a proposal that maybe could added since Sherry hasn't stopped me yet and we transfer from the General Fund to the Capital Improvement Fund, which is about \$8 million.

I personally don't like the expression of borrowing from one to go to the other one. I just don't like the idea of kicking the can down the road. But I appreciate that you want to do it.

Mayor Lane: We have been kicking it down the road for the last 10 years, but I appreciate your observation.

Vice Mayor Littlefield: I'm very hesitant to touch those pension funds because they have taken a long time to get there and they need to be used for the purpose they were intended as far as I'm concerned. I do like the idea that you suggested about using some of the funding that we normally transfer to CIP to do something like this with.

I think that's a good idea. I think that both Councilmember Korte and Councilmember Whitehead are correct, and we do need to take a closer look at the needs for our people who are going through a very, very difficult time.

It is funny because I have in here one option that has been proposed before is using the money that we have been saving to pay our police and pension liabilities and I cannot agree with that, that it would be a long-term good idea and my sentence is "kicking the financial can down the road is not usually a good, sound financial idea that usually comes back to bite us".

Mayor Lane: Thank you, Vice Mayor Littlefield.

Councilmember Korte: A couple of years ago, food tax money we were transferring 50 or 75% of it a couple years ago to CIP. I thought that we had stopped that policy and gone to just the food tax goes into the General Fund and not the CIP. But it was in your list of transfers.

Jeff Nichols: That is being phased out over a three-year period.

Councilmember Korte: It's a three-year period?

Jeff Nichols: Yeah, that's why you are seeing that. I want to point out that if we take the funds from the CIP and for the purposes listed on here and the community investment and so on and so forth, it will increase our expenditures and right now, we have the \$3.3 million cushion that we showed.

What Councilwoman Whitehead mentioned, and it would be expenditures and fall down our fund balance and reduce those expenditures accordingly and that would be the outcome of it once they fell through.

Councilmember Korte: Thank you.

Mayor Lane: Okay.

Jim Thompson: Thank you, Mr. Mayor. Next slide. I'm almost done. This is probably good.

We can come back and come back to Council at the next meeting and address some of these issues and have a couple of proposals if that's acceptable. The next steps and we are continuing to monitor revenues and additional adjustments to expenditures.

As we get additional numbers in between now and June 16th, if there are additional expenditures based

on the revenues, we will share that prior to the next Council session and Council can act on that should you choose.

The budget can only be revised downward, but not upward. You have the additional 3.3 available and how we spend the others and how we get monies through the state and those would be then taken out of other funds that we have in our spending cap associated with what we report to the state and those revenues would be applied to that and we can spend those as well when we have plenty of spending capacity that is managed through the state.

And in event of the pandemic crisis, we are recommending to come back to Council once a month and have study sessions. Once we recover and have positive signs and it becomes more stable, we would stop doing that on a monthly basis and based on the staff recommendations that staff can bring in as well. You have the final budget adoption and Truth in Taxation hearing and the final adoption of the tax levy. Those are the two dates that are fort -- forthcoming and the opportunity on the 16th to make any changes should you so desire.

With that, that concludes my presentation.

[Time: 01:54:46]

Mayor Lane: Number one, I want to applaud you and Mr. Nichols for using the limited amount of information in a crisis period to get a handle as much as we possibly can to see where we see coming up in the upcoming months and next year.

The bullet that you have here is innovative and important for us. Yes, we have to have a budget as a mandate of state law and approved and adopted but that is not to say that we can't review on an ongoing basis given data. I think that's going to be critically important for us to address everything going forward. So, I think that it is a good approach.

I want to applaud you for the assemblage of the numbers and the effort that has gone into this. We know that our community and some of them has been hit particularly hard and the best thing that we can do for our community is to get back open in a safe way and get our economy going and hopefully, not return to this.

There is good news and we were able to temper down the curve and it did not overwhelm our healthcare system and that has been presumably established. That's not to say there wouldn't be another step up in another curve bump, but nonetheless, less than what we are looking at now. We have just got to reassure our community that we have a handle on things and by every step that you have taken and what we have done here collectively, I think that we have done that. And giving the public the confidence that their local government is doing it well.

So, I'd like to say personally, we're on track and I think that we are on a good track. The idea that we will be persistent, Jeff, yourself, and myself with regard to getting the Governor and should be on a call in a couple of days on this subject as well to make sure that this money gets released and properly applied. Because the country can ill afford to adversely throw money at things that are going to have consequences to our economy in the long run and our inflation one of the things.

I will say to the councilmembers here if there are ideas that are shared by all of us as guidance to you and I don't want you to go away with a thought here and there and we will probably address separately the issue if Councilwoman Korte wants to talk about putting this on the agenda separately and if these funds are available and what we can do that.

I think that is a realistic thing to do and I hope that she does that at the end of the meeting properly. Above that, there is one thing that I would like this Council to consider and I will make the motion that we do not take the 2% this year. It is a little bit symbolic. We did this 11 years ago and we built it up and it was a true economy and not an artificial economy like I often said in the last downturn. We are not working with an artificial economy here.

MOTION NO. 1 – ITEM 22

[Time: 01:59:18]

We had a solid economy and we had to go in a very, very tough situation to avoid a health hazard that is beyond our understanding and maybe a comprehension and with the projection of 2.2 million dead, it jarred a lot of people and maybe their psyche.

I would like to make the motion that we do not take any of the amount of 2% that is allowable in the increase in the property tax. I think that it is one of those things that we owe to our general public overall and we did not take increases with the rates and fees and this is comparable to that when you talk about property ownership for everybody. I will make the motion that we do not take the 2% and I will ask for a second.

Vice Mayor Littlefield: I will second that.

Mayor Lane: Thank you for that and yes, I'm sorry that I didn't see your hand.

Sherry Scott: I want to clarify that the final adoption of the tax levy is coming at a later Council meeting and I want to clarify my understanding about that is correct.

Tonight, your agenda item is really on the Tentative Budget and if it is direction to staff to take it out of the Tentative Budget and in some way making that motion related to the Tentative Budget, I think that's fine.

But I think that you are going to have a specific item coming before the Council at a later time regarding the tax levy.

Mayor Lane: All right, I will take that as from the standpoint right now, we don't have a Tentative Budget and we are giving some direction in how we want to put it together?

Sherry Scott: That is correct.

Mayor Lane: So, this is a guidance issue at this point in time and can be reflected in the Tentative Budget. I want to reframe it that it is a guidance and not a point of action. Very good.

The motion has been made and seconded. We are ready then -- I'm sorry, we do have some conversation. Councilmember Phillips.

Councilman Phillips: Thank you, Mayor. And actually, that's the first thing that I had on here was to remove that 2%. I'm fully on board with that. I don't know if you need a motion.

Mayor Lane: I like to get consensus, so there is a clear understanding.

Councilman Phillips: First of all, I wanted to thank Jeff and Mr. Thompson, I think they did a great job. These are tough decisions that cities have to make and I think that we have done a fantastic job of being able to make these decisions and still run our City and take care of our residents and they look to us when they are having problems and not to just aggravate and I think that the City has done a great job.

On the other hand, when the economy comes back, I think that we need to be ready to open up. And we need to have services and when you talk about parks and rec and opening up ballparks and such. I have a couple of questions. Are you waiting for the vote first?

Mayor Lane: Yeah.

Councilman Phillips: My button was for my comments. If you don't mind, if we can vote and come back to me.

Mayor Lane: That's fine. Councilwoman Klapp.

Councilwoman Klapp: I have other comments too. But I'd like to support eliminating the 2% property tax increase, as well. The budget shows that we are going to have an excess of 3.3 million and if you take .6 away from that, we still have enough money to cover the budget.

In this case, since we are looking at having the money available, I think that it would be appropriate to eliminate this 2% increase. It is maybe a small gesture, but a gesture to recognize that people have problems and they are trying to make ends meet and if a little bit of a break on their property tax will help, I think that we should be able to do that.

This is a good time to do it because we have been able to come up with a budget that shows excess funds that can be applied to not taking the property tax increase. I will make other comments later.

Mayor Lane: Thank you. Councilwoman Milhaven?

[Time: 02:05:02]

Councilwoman Milhaven: I cannot support this. Given the dollar amount is not going to be unchanged and given the uncertainty of what we are facing.

Two weeks ago the sky was falling and had no way to know it is going and now, we are feeling good about things, which I think is great, but we need to maintain certain flexibility and when we are facing a future where we may not be able to feed our seniors, I don't think a gesture is the right thing to be

doing.

I think that we need to maintain maximum flexibility to take care of our citizens.

Councilwoman Whitehead: I agree. This is a symbolic move. Property taxes are remaining the same. This is not time to cut taxes when we have as Councilwoman Milhaven said, we have \$700,000 that we used for feeding seniors and we use for rental assistance that might go away, so just not cutting taxes, that move alone would be the funding that we can use to make sure that our seniors keep getting fed.

I think that if the economy improves at a faster rate than what we think, then it's time for a symbolic tax cut, but now is not the time. It is reckless. This is a tax cut. So, I think this is the wrong time.

I do have additional comments of what we are losing in this budget and if this is the time, I will go into those.

Mayor Lane: We will just get through this at the moment.

Councilwoman Whitehead: Okay.

Mayor Lane: Councilmember Korte.

Councilmember Korte: I agree with councilmembers Solange Whitehead and Linda Milhaven. This budget is in a time of so many unknowns. As Jeff Nichols started his presentation and since 1937, there have been 12 recessions and none of them in a pandemic.

We don't know what is going to happen tomorrow, let alone 12 months from now and I don't think that it is time to eliminate an additional source from our budget especially, since there is zero cost to our taxpayers. We need this flexibility.

Mayor Lane: Thank you. First of all, I don't believe that it is reckless. I wouldn't be any more reckless if we were not cutting or increasing. We are increasing the tax for the entire community and maybe there is some symbolism to it, and we didn't increase all water rates on the basis of pretty much the same thing and it is not a significant amount of money.

This tax has been historically tied to the idea of cost of living increase generally in our primary property tax. That's why it is limited to the 2% and has been for many, many years. And so, I think that it is all together appropriate that we do this. I think that it is a relatively small amount. There is no doubt about it.

We just went through a bond issue where people were most impressed that we continued to reduce their property tax by virtue of the secondary property tax and that's a major issue for people and their concern of their homes and people are very concerned with their property tax. At least, in some cases and it might not be anyone in this room, but people are very much concerned about where their property taxes are going when they are in tough shape.

To go the other direction would be a big issue. On the basis of that, if I were to be so bold, I think that

everybody has expressed their opinion and Jim, that would be the guidance on it and not to include it.

As a consensus of opinion here, the guidance would be as far as the budget is concerned is not to increase the primary property tax by 2%.

Jim Thompson: We will make adjustments prior to the final budget adoption and we will have a change in the Truth in Taxation hearing to be reflective of that. I don't know if there are any additional comments on the side.

Mr. Mayor, we have our final presentation on the capital improvement program, and I want to make sure that we don't drop that one.

Mayor Lane: Got it. We are not moving on until you say so.

Jim Thompson: So, we would still have a 2.7 variable and around that number it is not an exact number. We would have to change our notice hearing on the Truth in Taxation. I don't know if we would need a notice on that.

Mayor Lane: We are not in an action mode.

VOTE – MOTION NO. 1 – ITEM 22

[Time: 02:11:05]

City Clerk Carolyn Jagger: Your Honor, I'm so sorry to interrupt. But you have a motion and a second on the direction to staff. I just need to know if you want to take a vote on that.

Mayor Lane: Okay, we can do that. Rather than just the idea that we have essentially all voted here. On the basis of that motion and second. All those in favor, please indicate by 'aye'. Those opposed with a no.

Motion passes 4-3. Councilwoman Whitehead, Councilwoman Milhaven, and Councilwoman Korte opposing.

Again, it is guidance. It is not a vote. Nevertheless, if it comes forward that way and we decide differently next time, so be it. But that's the direction at this point.

Now, I will go back to Councilmember Phillips who began with additional comments.

Councilman Phillips: Thank you, Mayor and I wanted to say thanks for removing the rate increase in the stormwater. Those reflect on people's bills and they will be happy to see that.

I have two questions and you are not going to know the exact answer to this, but I think that you will be able to understand it and it must have crossed your mind. Where do you think we would be if each of these sales tax categories came in a third or half, would we have an existing safety net to cover that cost if the projections actually come out less than what we think they would be?

Jim Thompson: It would be as we proposed, we would come back to you. That's why we plan on coming back on a monthly basis and if we see a trend downward, we would make additional reductions in our spending.

Much like we did this year and we have removed 242 members of staff and cuts in our operational costs and with the closures of the facilities we are saving on the utility costs and if we see a change downward, we would come back with a proposal to make those reductions.

I would like to commend everyone in my department and staff, everyone stepped forward and said that we need to make cuts in our areas and we went out and bought supplies on our own that we wouldn't otherwise would have needed.

If we see a reduction in the sales tax and if it increases, we have opportunities to have those discussions as well if we were to enhance programs. At this point in time, we don't know, and we desire to have the flexibility to address it on a monthly basis.

Councilman Phillips: Maybe another way to put it is if things end up worse than it seems, do you think that we are going to be able to address that? Or is it going to be like oh my God, we have cut everything that we could and now what we are going to be able to do?

Jim Thompson: Yes, I'm very confident that we are going to be able to do that.

Councilman Phillips: And is the ceiling of the budget going to allow us to bring back the services we've cut?

Jim Thompson: Yes, it will.

Councilman Phillips: Thank you very much.

Mayor Lane: Councilwoman Klapp?

Councilwoman Klapp: Yeah, I wanted to talk about the information that you have presented so far, both you and Jeff. And Councilwoman Milhaven eluded to the implication that the sky was falling last time we met and it wasn't, but the attempt was to make sure that the budget discussion that we had tonight was the best that it could possibly be and at least, that was my intention and I believe that the other councilmembers that I have talked to feel exactly the same way.

I appreciate you have addressed the concerns that we had last time and we were concerned about where these revenue figures come from and I felt with the presentation given tonight by our treasurer that it showed a much more thoughtful and methodical approach of coming up with revenue figures.

I realize that we don't have today as much information that as we would like. As we move forward to the meeting in June, we will probably have more information then and I realize that from tonight, we can only adjust the budget down and not up and that's fine with me. As best as we could, we have the best information that we could get tonight, and I appreciate the work that was put into in budget versus

the one that we saw last time.

I felt that the information that we saw tonight versus last time was much more transparent as far as what was being cut and you went through much, much greater detail and I read through the Council report and it had pages after panels of everything that you were doing by department and the funds and I felt that was very good information. I appreciate the fact that you provided that to us.

In essence, I feel this budget was much more responsive to the concerns that I had. You have done the things that we were really concerned about last time and nobody wants to say that people shouldn't have raises, but raises just weren't appropriate at this time based on all that we know on how our revenues are going down.

As we find things are better later in the year, we can address that as it comes. I'm glad to see that you have removed those raises this year. I think that was a good choice in the budget. And also, you have done a lot of other things that were suggested.

You have cut out some activities that we feel that we can't do right now and cut down library hours and things like that. I feel that is appropriate. It seemed to me going through this budget there was a lot more thought in how to make this budget work given all of the information that we have, and I thank you for that.

I don't want it to appear that I'm always being critical because today, I'm seeing things that I didn't see last time. So, I appreciate that from you and the treasurer, and the Mayor mentioned, and I agree that the series of monthly meetings is going to be helpful because we can monitor what is happening. I felt very uncomfortable of passing a budget and what happens if the bottom falls out? And watching it on a monthly basis is a good move and we can see how things have changed and present it on the revenue sources and how those change. It was helpful to me.

I feel overall that I'm more comfortable of where you are heading with this budget and the fact that we can monitor it and make changes as we see the numbers going up or down and we are going to find out over the course of the next few months. I appreciate the work that was done. I still feel it is appropriate based on where we are today and we have lowered rates and fees and a variety of things that we had intended to do, so I don't feel that it is inappropriate at all to not take the 2% property tax increase. I don't think that it is reckless, I think that it is responsible, and I thank you for that.

Mayor Lane: Councilwoman Milhaven did you have further comments? Okay, then, Councilwoman Whitehead.

Councilwoman Whitehead: Thank you, Mayor. I also want to thank the City Manager, the Assistant City Manager and all of the staff because I have certainly had quite a few questions and you guys have been great in getting me those answers.

We have made so much progress on this budget and I'm impressed that your years of conservative decisions have left us with a strong budget and although we have a very deep downturn and hopefully, if we have a steady return to a more normal budget, we can definitely weather this.

A budget is not just about dollars, it is about priorities. I'm not 100% there with the budget yet and I want to make some recommendations that we address some of the priorities. I'm going to talk about those. Some of the priorities will add costs and some of the priorities will subtract costs. I think that most residents probably don't realize that the many programs that we have that feed seniors, that feed vulnerable populations, and provide rental assistance. These are not your tax dollars. They are from the Pima community and proceeds from gambling.

Last year, we received \$700,000 in grants and that paid for these programs. As most of you know, the casinos have been closed most of the year. There was a fire at the one a seen know and then, COVID-19. So, we have a lot of uncertainty if we are going to have funds to feed people and for rental assistance.

And even for cold hearted people and most of us are not cold hearted, rental assistance prevents homelessness and even if we were cold hearted, we want the rental assistance because it saves us money. I didn't want to do a tax that was ceremonial that those funds could cover. And so, I hope it is still in consideration.

I will be adding a motion that we make sure that these programs are funded. That we make a special note that these programs get funded in case that we don't get the federal dollars that I think would cover some of this or in case we don't find other sources.

Second, we don't have tourists and tourists are not coming back until they are confident, they're safe and can be healthy. I want to bring up some programs that have been cut in this budget. So, we have a lot of programs they're through parks or through human services that again, I suspect that people don't know about and they have been cut.

I understand that we want to keep these populations safe and we don't want to stick a bunch of people in a room if they are going to be sick, but what I want to protect is the funding for these programs and the priority to have the funding available for these programs.

Years ago, I toured the adaptive services program and it made me proud to live in Scottsdale. What the adaptive services program does is provides a daycare for children with disabilities aged junior high through the summer after high school and it is significant. Because we have no other programs for children in high school that have disabilities, programs for them during the summer.

So, we have cut this program because we don't want to risk these children being sick, but at the same time, just like Canal Convergence could likely happen as not and we have set aside \$550,000 and all I'm asking is that we set aside and have funding for these programs.

I'm going to give you another one. We have programs for adults with disabilities. These are some of the most isolated and vulnerable in our community and these are dances, bingo night, sports teams and it is one step up from keeping people in their homes, but these programs are critical to these people and they are our neighbors and they need us.

So, I'm very interested and again the funding, this is not a lot of money and I will be looking at next time the budget comes back is there is funding set aside for these programs. There is others, swimming. Swimming is life or death. If we don't teach them how to swim, they drown in the pool. A budget is

about priorities and services are our priorities. So, I don't want to make cuts that have to be born on the backs of our disabled population for instance.

And I do want to talk about the employee pay cut and all of us feel and we have all said it how grateful we are for the people on the frontlines and we have all said that. Well, the budget is our chance to show it. And we have told our employees they can't have raises, but our budget doesn't reflect.

What I was hoping to see is a contingency and if things improved, we can say to our cops, yep, you are going to get the raise. And to our workers who are out in the heat and working the homeless population, yeah, you can get the raise and the number is 7.5 million from our General Fund and I'm going to bring up another number similar to that in my next item.

We are saying we appreciate you are putting our safety ahead of your own, but we are not showing it in this budget. And we have voted to give ourselves, City Council a raise and I think that it would be a nice gesture to say if our employees aren't getting a raise, our Mayor and City Council are not getting a raise.

The General Fund is paying for certain items that are kind of tourism related. \$400,000 a year for Museum of the West and I love Museum of the West, but it is closed. I'm not asking for it to be. And we pay \$250,000 a year for WestWorld and pay staff to make sure that we have programming at WestWorld, and we have \$8 million in the General Fund to pay Scottsdale Arts.

I'm grateful that we have a partner in Scottsdale Arts and the \$8 million in the General Fund is not getting cut and the museums are closed and the programs and they can't have programming yet and hopefully, they will and it is equivalent to the raises that we are not giving to our employees and again, we have a great partner and I did call the director.

In June, about the same time that we are reviewing this budget, we are going to be reviewing a new contract for Scottsdale Arts and I kind of think and I hope and a lot of projections suggests that we are going to have a COVID-19 year and a year that is an anomaly and really steep in decline in programming and we are going to come out of that.

I suggested to the director that he consider a COVID-19 budget because we cannot ask our staff to bear the burden of all of these cuts and our most vulnerable citizens to bear these cuts and then -- and he agrees with this and fund 100% museums that are closed.

And so, the budget is getting really close, but we have to make sure that we take the cuts in the tourism and the areas that are needing less at this point in time and make sure that we increase funding in the areas that we see increased needs and certainly, rental assistance and certainly food programs and so, I would like to make a motion on that.

I would like to make a motion that we adopt the Tentative Budget with the following additions with the \$700,000 of the Reserved funds to the increased demands in human services such as rental assistance and food programs and maintain the programs for the adaptive services and the swim lessons even if we don't find a way to have a safe way for those programs to happen, the money funnels on to the next year and if we don't make it a priority, it is going to be zeroed out in the budget. That's my motion.

Vice Mayor Littlefield: I will second it.

Mayor Lane: Motion has been made and seconded. Vice Mayor Littlefield, would you like to speak?

Vice Mayor Littlefield: Yes, thank you, Mayor. I have spent a lot of time on this budget going through it detail by detail ad nauseam and I don't know how you do it, Jim. One of the biggest concerns is that we need to keep adequate money available for the projects for the people who are really truly hurting from this thing.

If you have used all that you have to pay the rent and you can't get food, you are in a real bind. What do you do? Do you give up your home and live on the streets because you can't buy food for your kids? And in these economic times that COVID-19 has hit us with, those are the kind of economic decisions that COVID-19 makes.

I would like to put these two programs and in and especially, for the rental assistance and I want to help people stay in their homes and for their self-respect and their well-being and the well-being of their children. That's important. Let's put a place holder there. Human services and the things that we are dealing with on a daily basis and it is enough to make you cry. These are not bad people. They have lost their jobs and there is no money coming in and it is a one-time out of their control situation and they need money coming in.

It would behoove us to have that and, in our budget, at least and when we get paid from the feds and get the dollars coming in, some of those dollars go to programs like this, so I would second this motion.

Mayor Lane: Thank you. Councilwoman Klapp.

Councilwoman Klapp: I had a question. Did you state a dollar amount on this?

Councilwoman Whitehead: Last year we received \$700,000 from PSPRS and they are expecting it to be higher in May and there is \$67,000 in the bank and we have 2 to 3 months left of rental assistance.

Councilwoman Klapp: So, you are thinking 700,000?

Councilwoman Whitehead: Yes.

Councilwoman Klapp: I want Jeff Nichols explain to us that we received \$700,000 for rental assistance. We received the grant, but not gotten the money yet. Can you explain that Jeff because I asked that question when I was looking at the budget the last time?

Jeff Nichols: We have been informed that we received that grant. It is a sure thing. We have not received the dollars yet. They are forthcoming. How that program rolls out is going to be up to the people in the area that Vice Mayor Littlefield is talking about.

Councilwoman Klapp: CDBG funds?

Jeff Nichols: I'm not sure if it is CDBG, but another area of the housing department.

Councilwoman Klapp: But, specifically for that. My question is do we need this if you already have the money coming? Is it reflected in the budget?

Jim Thompson: Yes, it is reflected in the budget that we receive the funds. And we have the expenses reflected in the budget and the challenge is if in fact, we don't receive the funds because we have not received them yet, that you had a contingency and it is like the money with respect to apt river and whether or not with the casino shut down if they are going to be providing that much money as we have in the past.

We can reserve that amount for these programs and with the property tax adjustment, we still have 2 million in there and obviously, we have other capacities and spending limit from the state standpoint that can be reported that we can look to at the future if in fact the funds are not received. If they are received, it becomes a moot point. But we can set it up if in fact we don't receive them.

Councilwoman Klapp: Did they give us any indication when we get the money?

Jeff Nichols: I have not heard any indication when we are actually going to receive the money, other than it is designated for the City of Scottsdale, so we will receive it.

Councilwoman Klapp: However, I'm okay with this motion because it sounds like we are going to get the money anyway. So, if you can set it up in such fashion that you have it earmarked for rental assistance when it comes in. I think that is what the money is for anyway. We should be okay, and I would be okay with supporting the motion.

Mayor Lane: Pardon for me just adding into this, but it seems to me part of the initial CARES Act was to route money for home and CBCG funds and all COVID-19-related. I don't know whether what you are speaking about is part in parcel to those distributions, but I do know it is part of the overall plan.

Jeff Nichols: It is not part of the CARES Act, but in addition to. If we are fortunate to receive money from the state from part of the CARES Act, we can beef up some of these areas.

Mayor Lane: We are set-up to use the funds when they become available and pursuant to Councilwoman Korte's proposal earlier on, I do think that we are in a position by these funds, which are state funds as you mention that and I think they are coming through HOME, which is a state program and in any case, it will come to us and we can make general distribution with it.

And generally speaking with these type of programs, we have always used pass through funds and never used General Funds to do that because it gets down to and it may sound like a tough one because we have a provision of gifting taxpayer's money without consideration of value in return. You could make an argument, I suppose there.

And last time we had an immediate housing people with people being put in the street with the last downturn with people losing their homes with taxes and otherwise, it was generally coming through pass through funds.

The concept I don't have a problem with, it is a matter of doing it correctly and frankly, utilizing the funds that should be coming to us. I don't want to get ahead of this where we end up with some kind of permanent program. If this is a program where we are talking COVID-19-related, we should be going through the channels to do it exactly as that.

If we can do it the way that Councilwoman Klapp indicated, I'm okay with that. I have a request from the City Attorney.

Sherry Scott: I just want to clarify the motion that it is a motion to adopt ordinance 4453 as further amended by the motion.

Mayor Lane: Yeah, you are talking about the Tentative Budget that we have?

Sherry Scott: I'm sorry, my understanding of Councilwoman Whitehead's motion was to adopt the Tentative Budget, which is done in ordinance 4453 as specifically amended by her motion and I wanted to make sure that it is clear on the record.

Mayor Lane: Well, we are adopting the budget, which means that we can't go higher, but we can go lower as far as expenditures are concerned.

Sherry Scott: That is correct.

Mayor Lane: We are talking about adopting the budget at this juncture.

Sherry Scott: We are talking about adopting the budget and I should have given you better advice on your motion, Mayor. The motion needs to be about the Tentative Budget. Your agenda item is to adopt ordinance 4453 as the Tentative Budget as presented or modified by Council for establishing the Tentative Budget for Fiscal Year 2020/21.

And so, whatever your motions are they need to relate to the Tentative Budget, but at the end of the night, you need to adopt an ordinance that adopts the Tentative Budget however Council wants to modify or amend it.

Mayor Lane: So, my original motion should have been prefaced by adopting that budget. Can we put it in the record to have that motion expressed in that way?

Sherry Scott: You can certainly move to adopt the Tentative Budget with the 2% or \$600,000 backed out of it, if that is your wish.

Mayor Lane: So, can we do two adoptions of the budget with two different changes?

Sherry Scott: One suggestion would be to continue along these lines to see what modifications that Council agrees to and at the end, whatever ones are successful and adopt the Tentative Budget as modified by the ordinances and motions.

I'm not sure how you have done it in years past, and another way is to take a try at it like Councilwoman Whitehead just did.

Mayor Lane: If we have one motion with all of the changes in varying degrees that we might agree with, it might be impossible to pass it.

Councilwoman Milhaven: Let me see if I can try this. If we make motions to say that we'd like to modify the Tentative Budget by eliminating the 2% tax levy and we vote on that and then make the motion to modify these programs and vote on that and at the end, we adopt the Tentative Budget with all of the direction that we have previously given.

Sherry Scott: Certainly, with all of the prior modifications that we have approved. However, we currently have a motion on the floor that needs to be seconded that needs to be clarified if it is on the points to modify the budget or also to adopt the Tentative Budget.

Councilwoman Whitehead: It is to adopt the Tentative Budget, which I can't.

Councilwoman Milhaven: Why don't you do this -- I'm sorry, is it okay?

Mayor Lane: Yes.

Councilwoman Milhaven: When you say adopt the Tentative Budget with this one change and if we say yeah, we are adopting the Tentative Budget with none of the others so, if you modify your motion to say, I want to make sure these programs stay funded, it will be added and vote on the overall budget later.

Councilwoman Whitehead: That sounds good. And there are a number of programs that fund these programs and the number one funding source that is most in danger and together all of the funding sources add up to paying for these programs and I appreciate the explanation from the Mayor why it is not from the General Fund, so this is just a way while we are waiting and hoping that we are going to get the funds from a stopgap measure to protect people from getting thrown out --

Mayor Lane: Well, we have to make sure that we are clear on what we are saying. If we are about to agree or disagree as it relates to your proposal, we are basically saying that we want these funds to be in the budget somehow or other and frankly, from the standpoint of what we can do legitimately with funds that are available or are available to us.

Frankly, by the time that we adopt this budget we should have the answers on a lot of these measures. City Treasurer is actually chiming in.

Jeff Nichols: Yes, we reported previously the available grant funding and quite a few grants that we brought forward to Council. One was for the community development block grant in the amount of \$709,018 and that's going to be coming to us. I wanted to point that out.

Mayor Lane: So, that's one source that could be adopted. We still have the proposal that a certain amount of money be set aside on the basis to Councilwoman Whitehead has indicated. Councilwoman Milhaven your name is still on the screen.

Councilwoman Milhaven: Yeah, I wanted to speak. I'm sorry, I just jumped in because I thought I could help clarify.

Mayor Lane: That's fine.

Councilwoman Milhaven: I was in the Kiva, but not on the Council and Councilwoman Klapp said what if we need to contribute to someone who has a need and the gift clause says, unless there is a need and from the conversation that night, it sounds exactly like the need that is intended at that time. Given the gift clause I think that it is built into it.

You were talking about programs that were making contributions and up until now, they were pass throughs and it wasn't taxpayer money and that's certainly fine and folks have addressed that we may not get the money to fund those programs and you suggested that it might be inappropriate for the General Fund to pay for those and the gift clause does allow us to make contributions to folks in need.

Beside the point, I might suggest to Councilwoman Whitehead because we are talking about the CBCG and we still haven't talked about SRP-MIC and I know that you have talked about the CIP transfer and I'm wondering if it might not be a better way to accomplish what you want and if we do that, it increases the spending limit and might accomplish that in order to be prepared for eventualities that we cannot anticipate that we would like to move the CIP transfer for the expense and it would not be transferred without Council approval.

Councilwoman Whitehead: I think that a fabulous way to do it.

MOTION NO. 2 – ITEM 22

[Time: 02:49:29]

Councilwoman Milhaven: Do you want to make that motion? Just say so moved.

Councilwoman Whitehead: So moved.

Vice Mayor Littlefield: I'm seconding that as well. I did second it before, so I will do it again. I did not want to use monies that are not appropriate for this, but I really wanted to make sure that we had a place holder for the expenses that come and up and we have monies.

Mayor Lane: I think that we are at a station to do this to dedicate it to specific items, but we are already set-up to spend the money that comes through us on the programs to address the COVID-19 issues and this can certainly be as a consequence of it. Are we not already in a position to be as far as reserves are concerned in an ability to use these funds?

Jim Thompson: If I may, the amount of our spending capacity and spending limit when we submit our documents to the state and we show our carry forwards as balances as sources over uses as part of our available funding that is not appropriated in per se our budget process and we would have to come back to Council and you have authorize those expenditures of that 2 million plus that we have out there. So, we could achieve it.

We can achieve the things that we discuss this evening and when we come back and in the first meeting of the month and see if the grant funding's has come in or go the direction that you are going and take out the portion of the food tax that goes to the CIP and put it in contingency and it would exist and it could be used for the many items that you have discussed this evening and I would remind you that you have a motion on the evening and that would have to be withdrawn and you already have one with the previous discussion that occurred. If you make that motion, it would give us adequate funds to address all issues so far addressed.

With the property tax, we are going to move out of the budget because of the Truth in Taxation process and in both cases, I think that we capture them both and if the second motion is made and you withdraw the first one and the second one achieves all of the issues that you discussed.

Mayor Lane: So, are we withdrawing the first?

Councilwoman Whitehead: I still have a question. I want to again because a lot of the staffing cuts and again, I sent a question and haven't gotten an answer for the funding of these programs like the ones that I mentioned with adaptive services can the second motion cover everything that I asked for?

Jim Thompson: Yes.

Councilwoman Whitehead: I will retract the first motion and we can vote on the second motion.

Mayor Lane: Who is in a position? Are we clear on the second motion?

Jim Thompson: Yes, sir.

Mayor Lane: Okay. All right, it is moved and seconded. Councilmember Phillips would you like to speak to it?

Councilman Phillips: Yeah, what you are saying is that if this motion passes, we are going to tie up \$700,000 just to make sure if this other money doesn't come through, that we will use that.

Councilwoman Milhaven: So, the motion is, there is about \$6 million, yeah, \$5.9 million in food tax sales revenue that is a transfer out of the General Fund into the CIP. And so, we had voted to phase it out. That's why it is the \$5.9 million and if we put that 5.9 million in contingency, they can't spend it until they come back to us and could still transfer to CIP later or use that money for any other purpose that we thought was appropriate and legal.

Councilman Phillips: That didn't sound like what Mr. Thompson was talking about with the 2.3.

Jim Thompson: Mayor, members of Council and it would address all of the issues. The property tax is a separate issue. It has to come back to Council with how we spend that contingency, we would come back and say that we would like to address that contingency and you can make that motion and we can move that out of contingency to an actual expense account.

Councilman Phillips: I don't see the point of doing this. We can do that later anyway.

Councilwoman Milhaven: What Jeff didn't explain, by doing that, it increases the spending limit. If you leave it as a CIP transfer, it doesn't increase the spending limit. Right? He's nodding yes.

Councilman Phillips: All right, sounds convoluted, but I will go for it.

Mayor Lane: I don't know who is settled on this, but what I'm hearing is that it doesn't increase the spending limit because of the routing coming away from the CIP fund?

Jim Thompson: The overall spending of the City, no, it is the same money. But it increases the General Fund.

Mayor Lane: What is being suggested is moving the money out of CIP funds into the General Fund into contingency?

Jim Thompson: No, we wouldn't be taking the food tax and transferring it, which already existed there.

Mayor Lane: We are trying to reverse that in any case.

Jim Thompson: Yeah.

Mayor Lane: Well, I guess I'm okay with the concept of it. But again, I'm going to and on the idea that we need to be using the funds that are going to be made available to us to do exactly this. I'm more concerned about whether or not as we review our budget on a month-to-month basis that we are on solid ground before we start talking away any safe guard that we have to make sure that we absolutely have to have covered. Do you want to call for a vote on that? I'm sorry.

Vice Mayor Littlefield: I wanted to speak on what we have just been talking about and as a general concept that I'm looking at is that I like this idea of holding back and putting the food tax in the CIP and keeping it in the General Fund.

It gives us a lot more flexibility if things turn south that we are not expecting, and it gives us that money in the bank that we have that we can draw on without debt or anything else. At least, it gives me a lot more comfort and ease to know that we have an additional \$6 million sitting there and if we have to have it whatever reason.

This COVID-19 hit was blind sighted, and we don't know what is coming tomorrow. 2 million is not very much when you look at the budget of the City. It helps to add this extra safety as set to us that we can use.

VOTE – MOTION NO. 2 – ITEM 22

Mayor Lane: I think from the standpoint of a vote, I think that we are ready then to vote. All those in favor, please indicate by 'aye" and register your vote. Motion passes.

All right, now, I don't know if it's capital budget move to it. We should have provided him a chair over there. In any case, let's go ahead then. Mr. Thompson, it is yours to introduce the capital budget presentation.

Jim Thompson: Obviously, with the motion that we just made, we may have some changes, but think that we are good to go. If you would. Thank you.

Dave Lipinski: I will make the adjustment on the fly in about the fourth slide. Presenting the Capital Budget. We have deferred or closed nine existing CIP projects. Understanding that the motion that was just made I will show you in from slides how we can come out with the bottom line that we are proposing.

The existing projects that were deferred or closed and two projects have been completed and there were additional savings within those projects and the nine closed have been removed out of the capital improvement and put back in the General Fund. This is prior to any changes to CIP.

On the second slide, these are all changes to programs that are typically funded in each of the five-years of the CIP, so any requests that were submitted this year or change of funding or addition of five-year funding were not submitted in this motion.

It reduces this to \$6.8 million and we still have \$6.8 million of available cash with the five-year CIP with the food tax being taken back in the General Fund. With the changes of the annual accounts, there were changes made from years 1 through 5, depending on what the source was and the removal of the facilities program fund funds in year five equates to \$2.6 million. In essence, we did not fund year five and other modifications that were requested that were not granted and it leaves us the balance on the General Fund side.

The updated forecast of the 50% transportation sales tax into the CIP gives us an available cash balance of 16.1 million and the difference between the transportation sales tax and the General Fund is that no stand-alone general transportation projects were closed.

There is still funding in years 1 through 4, but the fifth year was not approved. Leaving us a favorable balance on the food tax sales side of \$6.8 million. The deferred projects, a couple of them have mid-year changes and they are removed the balancing effort and remove the year five funding to create that positive balance in the transportation sales tax.

The CIP stormwater fee and initially five projects were going to be put against the stormwater fee and the update is the cancellation of the \$1 increase in the stormwater fee. Of the five projecting proposed, they are proposing \$19.3 million of expenditures against an \$18 million source. We believe that we can react over time. With that, I can take any questions on the Capital Improvement Plan side. Sorry, I was short today.

Mayor Lane: Thank you very much for the presentation. And the on your feet adaptation for the things that we were just talking about right now. We have a comment from Councilwoman Whitehead.

Councilwoman Whitehead: I'm very pleased that you brought projects in house and it looks like a total savings of bringing the projects in house of \$800,000. It is on page maybe 2 or 3. Are the projects that

are struck out delayed?

Dave Lipinski: The projects that are struck out are had their fund requests within this years CIP removed. They are projects that are funded annually.

Councilwoman Whitehead: Got it, thank you.

Mayor Lane: All right, I don't see any other questions or comments on that and I don't think that we need to do anything on that at this point in time and I think that we are finished.

MOTION NO. 3 – ITEM 22

[Time: 03:06:19]

Councilwoman Milhaven: I would like to make a motion to adopt ordinance 4453 as modified by previous motions tonight.

Vice Mayor Littlefield: Second.

Mayor Lane: And that's modified by the motions that we made and that's understood I presume by all parties. All right. Let's see, unless you have something further for us, you are welcome to stay and sing a song.

Jim Thompson: That's it. Thank you, Mr. Mayor. A motion and a second.

VOTE – MOTION NO. 3 – ITEM 22

Mayor Lane: We are then ready to vote on that, the entire adoption. All those in favor, please indicate by 'aye". And register your vote. Those opposed nay. It's unanimous. We're done. Officially, I guess, Mr. Thompson. Thank you.

Jim Thompson: Thank you.

REGULAR AGENDA ITEM 23 – INDEMNIFICATION OR MAYOR, COUNCILMEMBERS, CITY MANAGER, CITY CLERK, AND FORMER CITY ATTORNEY IN MARK E. STUART AND VIRGINIA G. STUART V CITY OF SCOTTSDALE ET AL

[Time: 03:07:29]

Mayor Lane: The next Item the indemnification of Mayor, councilmembers, City Manager, City Clerk, and former City Attorney in Mark Stuart and Virginia Stuart vs. City of Scottsdale et al.

Sherry Scott: Mark Stuart has filed yet another lawsuit against the City and the indemnification allows the Mayor and the City however each councilmember cannot participate in their own request for

indemnification and each of you will have to leave the room as each of your indemnification is called upon.

Mayor, I ask that you declare a conflict and turn the meeting over to the Vice Mayor and you leave the room.

Mayor Lane: Okay, I do declare my conflict of interest in Resolution No. 18814 and with that request, I will leave the room.

MOTION NO. 1 AND VOTE – ITEM 23

[Time: 03:09:46]

Vice Mayor Littlefield: Is there an authorization to defend and indemnify for Mayor Jim Lane.

Councilwoman Milhaven: So moved

Councilwoman Whitehead: Second.

Vice Mayor Littlefield: All those in favor, please indicate by 'aye' hit yes. Opposed with a nay. There you go. Motion is passed. And the Mayor can come back into the room. Mayor, I turn the meeting back over to you.

Mayor Lane: Thank you, Vice Mayor.

MOTION NO. 2 AND VOTE – ITEM 23

[Time: 03:10:35]

Councilwoman Klapp: Mayor, I declare a conflict of interest regarding Resolution No. 11815.

Mayor Lane: Is there a motion authorizing the City to defend and indemnify Councilwoman Klapp?

Councilwoman Milhaven: So moved.

Councilmember Korte: Second

Mayor Lane: All those in favor, please indicate by 'aye'. Motion passes. Councilwoman Klapp, you can return. Councilmember Korte.

MOTION NO. 3 AND VOTE – ITEM 23

[Time: 03:11:35]

Councilmember Korte: Mayor, I declare a conflict of interest.

Mayor Lane: All right, if you would please leave the room.

Councilwoman Milhaven: Mayor, I would like to make a motion to approve Resolution No. 11816.

Mayor Lane: To defend and indemnify Councilwoman Korte. All those in favor, please indicate by 'aye'. Motion passes. Thank you. Councilmember Korte, you may return.

MOTION NO. 4 AND VOTE – ITEM 23

[Time: 03:11:30]

Vice Mayor Littlefield: Mayor, I'd like to declare conflict for Resolution No. 11817.

Mayor Lane: All right, thank you Vice Mayor. Is there -- leave the room.

Councilwoman Milhaven: She is gone. So moved. 11817.

Councilmember Korte: Second.

Mayor Lane: All right, motion made and seconded. All those in favor, please indicate by 'aye'. Motion passes unanimously.

MOTION NO. 5 AND VOTE – ITEM 23

[Time: 03:12:55]

Councilwoman Milhaven: Mayor, I would like to declare a conflict in Resolution No. 11818, and I will be leaving the room.

Mayor Lane: Okay. Is there a motion on Resolution No. 11818 authorizing the City to defend and indemnify Councilwoman Milhaven?

Councilmember Korte: So moved.

Councilwoman Whitehead: Second.

Mayor Lane: The motion has been moved and seconded. All those in favor, please indicate by 'aye'. Motion passes unanimously. Councilmember Phillips?

MOTION NO. 6 AND VOTE – ITEM 23

[Time: 03:13:40]

Councilman Phillips: Mayor, I would like to declare a conflict with Resolution No. 11819.

Mayor Lane: All right, if you could leave the room. Is there a motion authorizing the City to defend and

indemnify Councilmember Phillips?

Vice Mayor Littlefield: So moved.

Councilwoman Klapp: Second.

Mayor Lane: All those in favor, please indicate by 'aye". The motion passes unanimously.

MOTION NO. 7 AND VOTE – ITEM 23

[Time: 03:14:23]

Councilwoman Whitehead: Mayor, I would like to declare a conflict of interest on Resolution No. 11820.

Mayor Lane: All right, could you leave the room, please?

Councilwoman Milhaven: Mayor, I'd like to move approval of Resolution No. 11820.

Councilmember Korte: Second.

Mayor Lane: The motion has been made and seconded. All those in favor, please indicate by 'aye".

Motion passes unanimously. Councilmember Whitehead, you can return to the room.

MOTION NO. 8 AND VOTE – ITEM 23

[Time: 03:15:04]

Councilwoman Milhaven: Mayor, I'd like to move approval of Resolution No. 11821.

Mayor Lane: Authorizing the City to defend and indemnify the City Manager, City Clerk, and former City Attorney.

Councilmember Korte: Second.

Mayor Lane: All those in favor, please indicate by 'aye". Just for record I suppose we call for the vote. Yes, I guess I should. I guess I should. Yeah. [Laughter] we all were.

Okay, that does complete the indemnification authorization process. We are on to our final item for this evening.

REGULAR AGENDA ITEM 24 – INDEPENDENT ETHICS PANEL REPORT OF FINDINGS OF FACT AND CONCLUSION OF LAW

[Time: 03:16:08]

Mayor Lane: Item 24, the Independent Ethics Panel's report of Findings of Fact and Conclusions of Law. To consider the Independent Ethics Panel's report of Findings of Fact and Conclusions of Law which found to ethical violations arising out of the complaint filed against Councilmember Phillips on January 21, 2020.

The City Attorney will be bringing back proposed Ethics Code amendments to be considered at a future meeting. Tonight, the motion is to either accept or reject the ethics panel Findings of Fact and Conclusions of Law.

Councilman Phillips: Mayor, I need to declare a conflict of interest.

Mayor Lane: How did I forget that? Because it is not here. Thank you for picking up on that.

From the movement from the consent to the Regular Agenda and Councilwoman Korte wanted to speak first. Please go ahead.

Councilmember Korte: The recent decision by the Independent Ethics Panel allowed several practices with which I disagree and need to be fixed. I promise as a member of this City Council, I will work quickly to fix those problems. My intention tonight is to uphold the independent ethics commission as it relates to Councilmember Phillips as it finds no ethics violations.

The GoFundMe accounts can collect contributions to anonymous accounts and can be paid for the personal expenses of councilmembers and commission members of city boards and I don't conclude with the Independent Ethics Panel that the identity of the contributors and it indemnifies a quid pro quo.

Second, the panel held that an unlimited number of personal gifts can be made to members of the Council and members of city boards, commissions, committees and task forces in unlimited amounts from unlimited sources that such amounts don't need to be disclosed and just for the record, personal gift is no it a term in our Ethics Code and the gift shall not be accepted if acceptance can be reasonably construed as an attempt to exert improper influence.

If the monies were given to Councilmember Phillips for an innocent purpose, why are the donors not disclosed. I do not believe that we should be able to skirt our Ethics Code by accepting anonymous gifts. This is a citizen trust issue. Citizens need to know that their councilmembers and the City Council and the boards and commissions and task forces are above reproach.

Public service is a gift and should not be abused. Secret and anonymous gifts are bad, and transparency are good. The past role that the past City Attorney played in the process. Bruce Washburn was involved in this case and city's legal staff confirmed Bruce's involvement. Therefore, we must assume that Bruce's response to the Independent Ethics Panel was written by Washburn and they were Bruce's words, even though his name is not on them.

Bruce Washburn's representation of Councilmember Phillips may not be a conflict of interest, but certainly has the appearance of one and reflects poor judgment. And calling the gifts benign purposes and person gifts, even though they don't exist in our code and our code specifically states that the

Council, committees, commissions and task forces can only receive personal gifts from family and the City does not identify family gifts as personal gifts. Additional benign purpose lacks definition in our code also.

Are donations paid to medical expenses benign? Probably yes. But in the case of this GoFundMe account, donations were made to pay non-medical expenses too.

Again, I see this as a citizen trust issue and if this is approved by Council, elected fishes can one, receive unlimited number of personal gifts, two, from anonymous donor with regardless of who they are, without the need to define them, and for an unlimited amount and without disclosures in statements.

This violates the trust that Scottsdale places in its officials. It is the policy of the City of Scottsdale to promote and uphold the highest standards of ethical behavior from its Mayor and members of the City Council and the others that are appointed to serve on the commissions, committees, and task forces.

Transparency of action are the hallmarks of public service in Scottsdale. Using one's office for inappropriate gain or influence will not be tolerated. With that being said, Mayor, I would like to make the following motion.

MOTION NO. 1 – ITEM 23

[Time: 03:24:12]

I move that the Council accept the ultimately conclusion of the Independent Ethics Panel report that it didn't find a violation under this record and the ordinances and the Council reject the panel as suggested because we disagree with the interpretation and analysis of anonymous personal gifts and that this be placed on a future agenda.

Mayor Lane: The purpose of this meeting certainly with qualifications and without, but the only thing that we are here to determine is whether or not we accept the report or reject it. As far as any kinds of changes to the ordinance, that's for another time and matter. I will defer for the City Attorney on that.

Sherry Scott: I think that Item 3 was not agendized to direct the Council to bring back changes to the ordinance and code, it doesn't matter because I was going to do that anyway. I think that it would be fall with what is properly agendized.

Councilmember Korte: So, done.

Mayor Lane: To accept the findings with the exemption of their interpretation.

Councilmember Korte: Accept the ultimate conclusion of the ethics panel report that it did not find an ethics violation based on this record and these ordinances in their current form. That was in their findings and the Council reject the panel's report as submitted because we disagree with the Council's interpret related to anonymous personal gifts.

Mayor Lane: So, the rejection is to their interpretation. The motion is on the table with the qualifying

language, but nevertheless to accept the report as submitted by the panel. Councilwoman Whitehead.

Councilwoman Whitehead: So, this is sort of a catch 22, if this motion does not pass, does this Council have the opportunity to make a motion to accept the report without the second qualification?

Mayor Lane: Yes.

MOTION NO. 2 – ITEM 23

[Time: 03:26:24]

Councilwoman Whitehead: I would like to make an alternate motion that we accept the report of the ethics panel.

Mayor Lane: The first one died for lack of a second. And we have a first motion on the table. So, the motion has been made and seconded.

Councilwoman Whitehead: So, we are ready for a vote?

Mayor Lane: Does the second like to speak to it?

Councilwoman Klapp: We were asked to either accept or reject and you made a motion to accept and I agree with that. I don't think that I need to speak to it.

Mayor Lane: No, then we need to get that clear. Councilwoman Milhaven?

Councilwoman Milhaven: I'm going to go ahead and support the accept and I do think that the Ethics Code need clarification with regard to that interpretation. So, I agree with everything. But I'm really struggling with how do you accept and reject at the same time. But I'm going to vote to accept the report, but I agree whatever changes that we have need to address that.

Mayor Lane: And the City Attorney is working with us on another time on another agenda with that information at hand. So, okay. Then I would say that we are ready for a vote. I'm sorry. Okay. Go ahead.

Councilmember Korte: I certainly respect everyone's opinion, but what I believe this does is because we cannot come back quickly enough in a time period within this campaign season that protects our Ethics Code. And I believe this finding undermines our Ethics Code and allows anonymous donors to create GoFundMe account for any benign purpose for any candidate or councilmember or Mayor or commissioner and I just believe that violates the trust of our Scottsdale citizens. My motion exonerates Guy Phillips, but it also, I believe it protects the integrity of Scottsdale and our Ethics Code and I feel pretty adamantly about that. Thank you.

Mayor Lane: I understand, Councilwoman. I would say that the report from the panel of judges exonerates him. Your acceptance of the report with the qualifying language and the fact that it has been stated here and they so much stated it in their report and the circumstances of the situation and found they he was not guilty of any infraction of our Ethics Code and that's essentially what it says.

They also went into the fact that the way that the code is written and the Council that comes through this report is telling us that we need to address this issue and clarify it. It is a matter of record and if someone tries to do something along the lines that you are suggesting could happen, I think that we are in the process one way or another.

I appreciate and I'm concerned about your concerns as it relates to an ongoing campaign right now. But it makes it a difficult element all the way around. In any case, with all that said, and I appreciate those comments and understand. We do have a motion. Are you back on here? Okay, Councilwoman Klapp.

Councilwoman Klapp: I agree that the City Attorney should be working on this. I believe that we should be addressing anything that relates to anonymous gifts over personal gifts that have been brought up here. But I don't see any good reason to read a report and accept the conclusion but not accept the way the judges got there. I mean, it is all one report. And they went through their analysis. They took a variety of documents and information and came to this conclusion. So, I'm not an attorney, but I can't separate the way they got to the end and say, I don't like the report, but accept the conclusion. I have to say that we have to accept the report as it is and move on.

We need to let Councilmember Phillips leave on with his life because if we leave something hanging, he'll feel that he's still under some kind of indictment and I don't believe that's how we intend it, but that's how he would feel. It was GoFundMe that was established, and no one thought that when this Ethics Code was written there would be an Internet and fund and you can give anonymously. And trying to isolate the conclusion from the report makes no sense to me. Well, they could do it before and until we change the Ethics Code and we have already said that we want to change some things in the Ethics Code.

Beyond that, I don't accept the concept of accepting half of this and I would like the report and the conclusion to go together as one statement that we accept this report.

Mayor Lane: Thank you, Councilwoman Klapp. Councilwoman Korte.

Councilmember Korte: Thank you, Mayor. I promise this will be my last remark on this. To say that I disagree with Councilwoman Klapp's statement is well, I disagree. My motion exonerated Councilman Phillips and he's allowed to move on and move on with his life.

Nothing in that statement carries any type of baggage for Councilman Phillips, but it does protect our Ethics Code and protects the integrity of this Council and this city and the integrity that our Ethics Code holds.

And to say that well, we can fix it with a revision. Well that, revision isn't going to happen tomorrow. It's not going to happen next week. It is not going to happen next month. It is going to be a long process. And because of that, we are exposing -- we are allowing the GoFundMe accounts and anonymous donations and particularly vulnerable in this current election and given this current election.

I think that it is critical that we close that loophole tonight. We close it. And move forward with of course, exonerating Councilmember Phillips, but also move forward with revisions to that code. You've got to be able to see this is a loophole that well, it could be used. It could be used. And by accepting this

report and all of its findings, basically gives the blessing by our City Council to go create GoFundMe accounts for benign purposes and anonymous donors.

Mayor Lane: Thank you, councilmember. I would beg to differ as far as giving any license on this. We have had this for 14 years and it has not been used in the sense not only by the change in technology, but the virtue and it has been conceded by the retired attorneys and judges on the ethics panel and this is a flawed Ethics Code and they may have used the word benign, but I think what they were going to say under the circumstances of the lack of clarity, as well as the circumstances of the entire thing, they found Councilmember Phillips to be innocent of any unethical behavior.

I'm going to say that I think that it is important for us to accept it rather as it is on the table right now, but I also think that we are in the process of looking at a document that probably could have been abused before, but these set of circumstances hadn't come up.

If in fact, we are talking about this being a pure complete abuse of a document that is firm and clear in its compliance issues. I don't think that we are giving any license and I don't believe that any license was taken. I think these three retired judges probably did the best they could with the document they had and given the circumstances.

Beyond that I suppose it is a matter of individual thoughts of what you thought happened in the individual case and maybe not being to your interpretation of a document that is not really clear. So, I think that we have the motion on the table, and we have sufficient conversation on it.

This is not a particularly positive kind of thing that this Council wants to have to get involved in any case and unfortunately, under some political environments these things get interpreted in different kinds of ways and frankly, I just would hope that we have -- ultimately, have a good Ethics Code that is clear and people can strive and frankly, actually comply with the provisions within it. I think to this point in time, this question hasn't really even come up. I think it is a matter of some circumstances which the judges recognize too.

VOTE ON MOTION NO. 2 – ITEM 23

[Time: 03:38:38]

Mayor Lane: With that, I think that we are ready then to vote. All those in favor, please indicate by 'aye' and the motion that is on the table to accept the findings as submitted please indicated by aye.

The motion passes 5-1 with Councilmember Phillips recused and Councilwoman Korte opposed. Councilmember Phillips, you can return to the room.

The findings of the panel were accepted and that is the last item of our agenda.

MAYOR AND COUNCIL ITEMS

[Time: 03:40:14]

I'd ask if there are any Mayor and Council items in view of the other issue. Okay.

Councilmember Korte: Thank you, Mayor. I would like to for future agenda ask the City Attorney to come back with a review of the Ethics Code.

Mayor Lane: Okay.

Councilmember Korte: On a future agenda.

Councilwoman Milhaven: Can I offer a friendly amendment? I'd like to amend the motion to ask the City Attorney and while we understand there may be a more thorough of the Ethics Code and there is a specific concern on the table and I'd like to agendize staff to bring back revision to the Ethics Code to exclude anonymous gifts at our next meeting. Is that an acceptable motion?

Sherry Scott: Yes, it is.

Councilwoman Milhaven: Thank you.

VOTE – MAYOR AND COUNCIL ITEMS

Mayor Lane: Thank you. Any comments? Questions? I think then we are ready then to vote. All those in favor, please indicate by 'aye". Those opposed with a nay.

Motion is accepted unanimously.

ADJOURNMENT

[Time: 03:41:29]

And with that, I would offer or accept a motion to adjourn. Second. We are adjourned. Thank you very much. Thank you to the staff and the City manager and to our treasurer. Thanks very much.