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#### **CALL TO ORDER**

[Time: 00:00:01]

Mayor Ortega: Hello. Good evening. And I call the June 27<sup>th</sup>, 2023 City Council Regular meeting to order. For the record, we have been recessed from our executive session, and we will reconvene to our executive session at the conclusion of tonight's regular council meeting. City Clerk, Ben Lane, please conduct the roll call.

#### **ROLL CALL**

[Time: 00:00:32]

City Clerk Lane: Thank you, Mayor. Mayor David Ortega.

Mayor Ortega: Present.

City Clerk Lane: Vice Mayor Kathy Littlefield.

Vice Mayor Littlefield: Present.

City Clerk Lane: Councilmembers Tammy Caputi.

Councilwoman Caputi: Here.

City Clerk Lane: Tom Durham.

Councilmember Durham: Here.

City Clerk Lane: Barry Graham.

Councilmember Graham: Here.

City Clerk Lane: Betty Janik.

Councilwoman Janik: Here.

City Clerk Lane: Solange Whitehead.

Councilwoman Whitehead: Here.

City Clerk Lane: City Manager Jim Thompson.

City Manager Thompson: Here.

City Clerk Lane: City Attorney Sherry Scott.

City Attorney Scott: Here.

City Clerk Lane: City Treasurer Sonia Andrews.

City Treasurer Andrews: Here.

City Clerk Lane: Acting City Auditor Lai Cluff.

Acting City Auditor Cluff: Here.

City Clerk Lane: And the Clerk is present.

[Time: 00:00:57]

Mayor Ortega: Thank you. We have detective Sean Ryan and Dustin Patrick and firefighter Damian Valencia if anyone needs assistance. I will also point out the restrooms are at that level through that far opening to the -- to the left. No one is allowed past the flags here. Let's begin with the Pledge of Allegiance. Please join me.

**PLEDGE OF ALLEGIANCE**

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

Okay. I do want to call our attention to the war in Ukraine. Acknowledge the brave people, sacrifice and their fight for freedom and democracy is ongoing. I ask you to join me as we pause in silence for the people of Ukraine.

[ Moment of silence ]

Thank you. Well, this Tuesday is the 4<sup>th</sup> of July. And we have a big event happening at WestWorld from 5 to 9 p.m. There will be live entertainment and, of course, spectacular fireworks show. So we do wish on behalf of the council that everyone has a safe holiday and enjoy celebrating America.

Our next announcement is that during tonight's meeting, the council may make a motion to recess into executive session to obtain legal advice on any applicable item on the agenda. If authorized by the council, the executive session will be held immediately and will not be open to the public. The public meeting will resume following the executive session.

Also to clarify, per our council rules of procedure, citizens attending city council meetings shall observe the same rules of order and decorum applicable to members of the council and city staff.

[Time: 00:03:56]

Unauthorized remarks or demonstrations from the audience, such as applause, stamping of feet, whistles, boo, yells and/or other demonstrations shall not be permitted. Violation of these rules could result in removal from the meeting by security staff. It also makes our time more efficient. So we appreciate that. Next, we will go to public comment.

## **PUBLIC COMMENT**

Public comment is reserved for Scottsdale citizens, business owners, and/or property owners to comment on non-agendized items that are within the council's jurisdiction. Advocacy for or against a candidate or a ballot measure during the council meeting is not allowed pursuant to state law and is therefore not deemed to be within the council's jurisdiction. No official council action can be taken on public comment. And speakers are limited to three minutes to address the council.

If you wish to speak on a non-agendized item or if you have -- if you wish to speak on an agendized item, you would be checking with the clerk listing that agenda item. At this point we are looking for non-agendized public comment. I have two, Lee Cofield followed by Tom Frankel, if you would please come forward and state your place of residence and you have three

minutes, sir. Thank you.

Lee Kauftheil: My name is Lee Kauftheil. I just was spurred to talk basically -- I saw one of the agenda items, it was adjacent but not on it, which is just to talk about homeless and -- and what we as a city could do. I know recently there was a major study that came out about the homeless population in California, and the nation more widely. And what it found was the homeless people they worked hard -- it happened slowly and then all at once to them. And the study found with something as little as \$300 a month, they could have -- they could have stayed at their homes. Most of them were working and then just either because they had to take a cut or the rent was raised on them or something like that, they ended up having to stay with family or friends and then they didn't want to be a burden on them and then ended up on the streets and then the much larger cost to a city that results in that.

About over 40 or 50% of them were working even while they were living on the streets or in their cars, things like that. And I just want the city to keep that in mind when dealing with some of our most vulnerable citizens who do live here, even if they don't have a home or address that they can -- a home or address that they can all. They talked about how there was a recovery center near her house and she saw repeated violations of those people's -- those people's rights and how they were being taken advantage of, the people who were providing them housing. And I just would like the city to be aware of that plight and what we can do for a small amount to help those people. Thank you.

Mayor Ortega: Thank you, Lee. Next, we will go on with Tom Frankel.

[Time: 00:08:01]

Tom Frankel: Mayor Ortega, council, Tom Frankel, 6716 East Montecito. I did come to the consent. I did come to the last meeting and observed the circus, if you want to call it. I have seen a variation of council over the last -- my 35 or 36 years in Scottsdale, I have seen 16 different councils probably, variations.

I have seen -- my guess would be seven or eight Mayors and I have seen probably seven or eight city managers. And some unsolicited comment and I guess that's what public comment is for, which I rarely do. But the council as it is seated today, for -- I don't like being labeled the developer, but I might be a developer and somebody who holds things and does nice things but still a developer, and hasn't been the easiest thing to approach to want to do something always. But -- and it's a big but, the council is elected.

And the council was elected and I have seen very high growth councils that anything passed and it's developers' wishes go through. And I have seen some stringent councils where not too much happens. I'm not really here to talk about development, but I'm talking about more the civility of what's going on since this council has gotten elected. And I have watched a lot of supporters of this council, turn on the council. Of all the people affected -- I don't know what a road diet is. Of

all the people, except the bakery I live on 68<sup>th</sup> and Thomas. I travel 68<sup>th</sup> Street, seven or eight and the dissection on whichever end you are on, for it, against it, has by repulsive. Repulsive.

My feeling as someone who has been here for 35 years and lived died and breathed Scottsdale and died Scottsdale, and not always in agreement with the council. You have been elected. If I as a citizen feel I can come in and somehow -- some who don't live in the area, have a better -- and I'm not for it or against it. I really don't know anything about it, but I would take the attitude, guess what, a council was elected. There's a transportation director. And whether you are for it or against it, the deboning of people who sit up there, who sit up there borderline threatening. I would want to be a councilman or Mayor. It's horrible. I guess I appreciate it that you have to do it. I would ask people who do it recreationally, it's wrong.

And Mayor, last thing, I'm almost done. I watched you also get dissected over an item that maybe they should have allowed to talk or not, but it wasn't worth it. They were going to have another chance at it, and I guess I would also just ask for a lot more civility on whichever end of the issue you are on. It's not fair to people who are taking their time to study the issues and make an opinion and who were elected to make those opinions whether you agree or not. I don't always agree with them. I do respect the institution and I'm hoping it gets better than it was and is. So thank you.

[Time: 00:11:44]

Mayor Ortega: Thank you. With that, we will close public comment. Moving on, I will clarify that item number 40a was added to the agenda on June 22<sup>nd</sup> at 2023, and requires a separate vote to remain on the agenda today as presented or it would have to be continued to a future date. Now, do I hear a motion to add this to the agenda.

Councilwoman Whitehead: Mayor, I will motion to add agenda item a1 to today's -- tonight's agenda.

Vice Mayor Littlefield: I will second.

Councilmember Durham: Second.

Mayor Ortega: Thank you. We have a motion and a second. Please record your vote. Good. Thank you. Unanimous. We will -- the agenda is amended.

## **CONSENT AGENDA**

Next, we have the posted agenda which is the consent agenda items 1 through 40a. Now, for the record, item number 11 on the consent agenda is the McDowell Mountain Manor Abandonment, and item number 12 Sereno Canyon, McDowell Mountain Manor replat. That is being pulled at the request of the applicant.

The applicant is allowed to request a continuance and therefore that can be granted. Additionally, item number 14, related to a construction contract for a booster pump, Number 83 is being continued to July 11<sup>th</sup>, 2023, council meeting at the request of staff. Do you -- so at this point, I'm just clarifying that those two items are excluded from the consent agenda. And -- three items, excuse me. And I don't need a motion for that. But do any members have another question about any other consent agenda items? Okay.

Well, let me just clarify that 11 and 12 have been continued. So that's being done. And then 14 is also being continued, but that one is at the request of staff. Now, with the remaining consent agenda items, do we have any questions regarding any of those items? Go ahead, councilman Graham?

Councilmember Graham: Could we hear about item 25, 31 and 40a?

Mayor Ortega: Are you asking for them to be on regular agenda? Okay. 25 -- give me the numbers again.

Councilmember Graham: Sorry. 25, 31, and 40a. I just want to hear a presentation.

Mayor Ortega: And, you know, for the take of the public, as well, these are posted. I could review what they are, but at this point, we'll just refer to them by number. And I would also open for public comment any of the consent agenda items. So if anyone were here for the posted items, I see that there were none. So there were no comments on the remaining items within -- or any other items within the consent agenda item.

So at this point, I would be open to a motion regarding the concept agenda items, noting that item 11 and 12 are being continued to be a date to be determined. Item 14 was continued to July 11<sup>th</sup> per the staff. And then items number 25, 31 and.

Councilmember Graham: 40a.

Mayor Ortega: 40a.

Councilwoman Janik: So moved.

[Time: 00:16:04]

Councilwoman Whitehead: Did you want a presentation or those moved to the regular agenda.

Councilmember Graham: Regular agenda it's just going to be a presentation, a quick vote. And then just a quick point of order, with the consent items to continue it, that's just -- we're voting to continue it?

Mayor Ortega: Well, that's part of the motion that we're noting that there are specific days as well as the approval.

Councilmember Graham: Okay.

Councilwoman Whitehead: I will second the motion, and I will just comment that one of the things we have been trying to do as a city council is get some middle housing. And so we do have that on the consent agenda. I think that's item -- I want to say 12. But anyway, I do second Councilwoman Janik's motion.

Mayor Ortega: And the other thing I will clarify, items on consent agenda have full disclosure. There are open files on each and every item and they can be referenced online or in our packets. So we have a motion and a second. Any further discussion? Please record your vote. Okay.

At this point, we will move to the regular agenda items, in particular item number 25 regarding the Experience Scottsdale destination marketing plan. As I understand it. And we will have a full presentation by Karen Churchar, who is director of that area. Hello Karen.

#### **ITEM 25 – EXPERIENCE SCOTTSDALE DESTINATION MARKETING PLAN**

[Time: 00:17:40]

Karen Churchar: Thank you, Mayor, councilmembers, for the opportunity to present the Experience Scottsdale destination marketing plan. Do I use the -- our destination marketing is provided through a five-year agreement between the city and Experience Scottsdale that was approved by city council in June of 2022. The agreement continues to ensure that city funds are used for the program of work as presented within the destination marketing plan. The strategic business plan includes marketing, communications, tourism, convention sales, those are the main departments of that nonprofit organization. It also includes the '23-24 performance standards as well as their contract budget for this upcoming fiscal year.

The strategic initiative includes supporting the five-year strategic plan that the council approved back in January of this year pursuing sustainable tourism, expanding audiences reaching seasonal and international markets, growing luxury partnerships and showcasing Scottsdale, of course, bringing sunshine out of home which has to do with marketing and the different cities like Chicago and New York. And promoting our city venues.

The '23/24 performance standards are determined by the Experience Scottsdale staff along with myself and Steve Geiogamah. We review all the different performance measures and it's based on the overall budget, the prior year performances of the -- of the standards, the economic and business cycles and the capacity of their staff and the resources they have. It's also based on

providing the greatest return on investment possible for the city and we have 17 performance standards that have been developed.

Five of those are specific to city of Scottsdale. So standards that actually only count things within the city of Scottsdale. So the -- the title is wrong. These are the five standards that are specific to Scottsdale. The number of media placements that specific -- that say Scottsdale specifically or a business within Scottsdale and as of the third quarter of this year, we haven't gotten the fourth quarter results, they have reached the 107% of the goal for media placements.

A number of travel trade professionals, again, train specifically about Scottsdale. The goal was 800. They've done 197% by training 1500 through the third quarter. The number of convention sales leads for city of Scottsdale hotel properties, again, over their goal at 116% through the third quarter. The number of meetings booked into the actual properties, their goal was 210. They have exceeded that by 107% and then the number of estimated room nights that the meetings actually generated, again over budget -- over the goal of 129%. The 45% of the actual total revenues from -- that are derived from the bed tax will be paid to Experience Scottsdale.

Our fiscal year '23/24 adopted operating budget forecasts bed tax to be about \$31 million. The remaining 5% stays in the city, through a destination marketing fund and are allocated in what we call the reserve fund and the remaining 50% is allocated among tourism research, support for tourism-driven events, related capital projects and other eligible uses, including our 50% agreement with the Fiesta Bowl expenditure which is a little over \$200,000.

[Time: 00:21:55]

City services funding based on the fiscal year '23/24 estimates by our treasurer, the amount of 45% would be 14,000,000.151, and the Fiesta Bowl pass through over 200,000. So the total contract is \$14,356,350. And -- but it's actually based on actuals and the actual amounts that we collect. This is just what the estimates are at this time. And I just showed the actuals for '21/22 and what's forecasted for the end of this fiscal year.

Recently, we a return on invest advertising, which is part of the new agreement. It was basically designed to really pleasure the R.O.I. and the advertising awareness of the Scottsdale spring and winter 2022 advertising campaigns, and also provide analysis of our image, the Scottsdale image to provide input into the development positioning and messaging for future campaigns.

I'm happy to report that the benchmark study of 1400 respondents and three key markets New York, Chicago, and Los Angeles, they -- the campaigns produced an additional 821,000 trips to Scottsdale, with these incremental Scottsdale visitors spent over \$200 million. And when you relate that advertising cost of \$1.9 million, this translates into a return of investment of \$116 in visiting spending for each dollar spent. So the incremental expenditures yielded \$7.6 million in local taxes and the return of investment on this campaign was \$4 in taxes for each advertising dollar spent. Very good information and we'll probably get you more detailed report on that at a



later date. But compared to the consumer ratings of Scottsdale and economic development, it really showed that the campaign -- if you visited Scottsdale, that you -- it really gave that halo effect, meaning that Scottsdale's tourism advertising significantly improves the image of Scottsdale for a lot of our economic development objectives.

Longwoods noted that the results of this survey were a very strong indicator of an incredibly efficient campaign and they actually noted it's one of the best campaigns they have seen post-COVID. So the action tonight is to adopt Resolution 12810. I won't read all the details, I will take any questions Mayor or councilmembers.

[Time: 00:24:40]

Mayor Ortega: Let me begin by asking, could you recap how the tourism development commission also monitors the work, which the Experience Scottsdale do?

Karen Churchard: Mayor and Councilmembers, thank you for that. Yes, all the details of the agreement with Experience Scottsdale is reviewed quarterly, with the tourism development commission and the destination marketing plan is presented to them, not once but twice.

The first initial review is generally in April, and that provides any questions and then in May, it's actually recommended and the tourism development commission unanimously recommended that the council approve the destination marketing plan.

Mayor Ortega: Thank you. Next, we will go with Councilmember Janik and Councilmember Durham.

Councilwoman Janik: Karen, I just wanted to say thank you. You and your staff do a phenomenal job for tourism in Scottsdale. We know how much time and effort you put into it, how much you love the city and just thank you so much to you and your staff for all that you do for us. Thanks.

Karen Churchard: Thank you.

Mayor Ortega: Councilmember Durham.

Councilmember Durham: Thank you, Mayor. Did you say that you are going to make that Longwood Study available to us.

Karen Churchard: Yes.

Councilmember Durham: Okay. That would be great. I would like to see that. Thank you, Mayor.

Mayor Ortega: Good. Councilmember Graham.

Councilmember Graham: Thank you, Mayor. Karen, thanks for the presentation and coming and talking to us. We hear about -- sometimes we hear about the lack of coordinated marketing effort between overall the city and Museum of the West and Old Town and we've got a provision in there promoting Old Town and -- have -- do you think those benchmarks in the contracts, would you say those are being met?

[Time: 00:26:37]

Karen Churchard: Yes, they are being met. We work with Experience Scottsdale to market Old Town, Museum of the West and others nationally. So outside of this local area. The work that my staff and I do, particularly Jackie Cantaldo, we market Old Town Scottsdale here in the metropolitan Phoenix area. So we do -- we don't want to use the same dollars twice. So we're very careful about our two different campaigns but we work together very well and we -- we have meetings monthly, but yes, they are meeting the expectations that we have for Old Town Scottsdale.

Councilmember Graham: Yes, I thought about pulling 26 and 27, just because it's really -- because you administer the contracts for all three, Scottsdale Arts, the -- Museum of the West, and Experience Scottsdale?

Karen Churchard: Yes.

Councilmember Graham: Is there anywhere you think we could improve? You have heard some of the feedback we have gotten about marketing the Old Town. Do you think there's any validity to that?

Karen Churchard: I think there's definitely always room for improvement and we plan to -- I have been talking to our assistant city manager Brent Stockwell about having the meeting soon with the new fiscal year and we will be meeting with some of our constituents in old town Scottsdale as well, so that they understand the campaign that we are doing and why we do, it but we are certainly open to doing things differently and expanding that. We actually asked council for an additional \$250,000 which was granted through the operating budget. So we definitely will be spending more dollars this year on Old Town Scottsdale and Museum of the West is certainly a part of that.

Councilmember Graham: Do you ever facilitate any interfacing between the Museum of the West and Experience Scottsdale at any of the several entities? We do a lot of activities together at the Museum of the West. I know that they are very well -- Museum of the West does -- actually just had recently a found tour with Experience Scottsdale with Todd Bankofier, the new CEO of the museum who is here tonight and we always -- Museum of the West has always been at the forefront of what we do. There's a lot of our ads that actually show photos of the Museum of the West and talk about it and I know Experience Scottsdale has had group tours through there and done group meetings there for businesses that have come in from out of the

state.

Councilmember Graham: Okay. Thank you, Karen. Thank you, Mayor.

Mayor Ortega: Okay. I see no other hands up. With that, I move to adopt resolution number 12810 authorizing the fiscal year 2023/24 strategic business plan, performance standards and contract budget under the destination marketing services contract 2022-054-COS between the city of Scottsdale and Scottsdale Convention and Visitors Bureau, DBA Experience Scottsdale.

Councilwoman Whitehead: Second.

Mayor Ortega: We have a motion and a second. I see no further discussion. Please record your vote. Thank you. Unanimous. Thank you, Karen.

Karen Churchard: Thank you.

**ITEM 31 – FISCAL YEAR 2022/23 OPERATING AND CAPITAL BUDGET ADJUSTMENTS AND CASH TRANSFER**

[Time: 00:29:45]

Mayor Ortega: Next, we will move on to item number 31, which we will have the full presentation from Judy Doyle.

Judy Doyle: Good evening, Mayor and councilmembers. Just waiting for the presentation to come up. I was warned before the meeting, don't panic, that it will come up. So -- Perhaps we should go to a commercial break.

Councilmember Graham: Perhaps you should start panicking.

Judy Doyle: Right, at some point I will. There we go. So this item was for fiscal year 2022-23 operating and capital budget adjustments and a cash transfer. Pretty standard item that we have at the end of each fiscal year where we are trying to true up our budget to any expenditures that have exceeded the budgeted amount. We break it up into some different buckets, if you will. Next slide, please.

So first we do try to utilize existing budget authority for expenditures. We have a financial policy that does state that we will look for alternatives other than contingency before coming forward requesting contingency.

So the first items here, again, as I said are to utilize existing budget authority for expenditures in our water resources department, they were just looking to move budget between two of their contractual funds, to address some increased personnel cost related to plant operations and unexpected maintenance cost for the installation of a granular activated carbon tank. Public

works, this was to align a grant that we had received last fiscal year for two sweepers. We had budgeted the sweepers in the fleet management fund but we wanted to move them to the fund where they are occurring. Community and economic development, this is actually kind of a two-parter. We have part of it here in the utilize existing authority for expenditures and then we have a use of it in contingency.

The bed tax collections came in significantly more than we had forecasted for the year. Therefore, we have to pay the destination marketing contract more than what we had planned. So, again, looking within the current budget, within community and economic development, we were able to identify 2.5 million within the planning and development services budget in the downtown cultural trust fund. There weren't any projects or anything planned. At this time, again, it's budget authority only that we will be transferring to go ahead and pay that contract out of the tourism budget. Next slide, please.

[Time: 00:33:29]

Also in our operating budget, we have use of contingency in our public safety fire. We have been talking about this quarterly in our monthly financial update. They were seeing an increase in their overtime due to staffing shortage levels and we also had to -- an unanticipated refund to the public safety retirement system because of the change in the contribution rates. The city attorney, we had a grant in the -- was it the prosecutors office. They received that grant, I think last year or the year before. These were funds that had not been spent and we were able to carry that authority and we needed the budget authority for that. Within community services, we had a number of things all within their special programs fund. So they will be funded by the revenue source.

These are -- all of these are for the maximum amount. So while we're asking for 1,803,270 in fire, if maybe at the end of the day, it's only \$1.5 million, just an example, we will only transfer contingency of that exact amount. But within community services, we did need to increase -- we saw an increase in the cost of inventory for resale at McCormick Stillman Railroad Park. We had some unanticipated expenses associated with the library, purchases for the hold-it locker in the reading program. And also at the stadium, we had some unbudgeted in the stadium life cycle seat replacement program. We also want to utilize the new event parking fear for the multiuse sports field in the area of Bell Road Park. And moving on to community and economic development, we did need some budget authority for a website-based job board for Scottsdale businesses. Again, the remaining tourism development fund, again, increased bed taxes. We had 1.2 million that we needed in contingency. The fire as I mentioned. Next slide, please.

Then on our capital budget, we do have some budget updates if you will. We had just some small amounts that we needed to move from one project to another. We had identified savings in one project to cover the increases in the other. The booster station, the water resources division is requesting a capital budget appropriation of \$1 million to accommodate the booster station 83 project construction phase.

[Time: 00:36:44]

And then in the deep well recharge recovery, we needed an additional \$15 million, so they had identified funding in two projects and then we will use contingency for another. And I do have staff here able to answer questions specifically related to those capital projects.

Finally, community services, WestWorld parks and recreation, this is for our continuous fleet replacement. We had some vehicles in community services, water resources and public works that are seeing delays in receiving those vehicles. So we are asking to transfer that over to our capital budget where that money will carry forward until we can receive those vehicles and equipment. Next slide, please.

And then finally, we did have some contingency requested in our capital budget. We are asking for \$650,000 for the story rock development corporation as part of the development agreement was required to contribute a minimum of \$650,000 towards the construction of a traffic signal or roundabout at the Alma School and Happy Valley Road intersection. And then IT, due to supply chain and lead time challenges, it was necessary to place an order earlier than projected. So we're asking for some contingency to do that. And then finally, we are asking for a cash transfer in the amount of \$500,000 from the special event parking fund within our operating budget to the Westworld parking access master plan C.I.P. project.

And that concludes the presentation. I'm happy to answer any questions or, again, staff is here to answer any questions as well.

Mayor Ortega: Okay. You know, at this point, even pointing out sort of the end of the year fiscal year checkbook final balancing and by our signature and our authority, we'll close out the books for this -- this is the last meeting of our fiscal year. I also note one item that is somewhat related is the true up for Experience Scottsdale. You know, with had a Super Bowl season and tremendous numbers, but we also had a larger than expected -- the 5% hole that we had from the city is also a result of some higher bed tax revenue. With that, I'm open to a motion. Are there any other questions? Okay.

Councilmember Graham: I was just going to make a motion to --

Mayor Ortega: Please, I recognize you.

Councilmember Graham: Thank you, Mayor. I wanted to hear the presentation. I appreciate Judy, you going through that. It was a good presentation. Thank you for explaining that to us. With that, I will make a motion to adopt Resolution 12809. That's all I have to say, right, city attorney?

Councilwoman Whitehead: Second.

Councilmember Graham: Yes. I'm getting a nod.

Mayor Ortega: We have a motion and a second. I don't see any other hands up. Please record your vote. And unanimous, Mr. Durham. Thank you. Unanimous.

**ITEM 40A – HOMELESS SHELTER AND SERVICE FUNDING AGREEMENT**

[Time: 00:40:30]

Mayor Ortega: We will move on to 40a presentation. Please come forward.

Greg Bestgen: Could you please turn on the overhead?

Mayor Ortega: Greg Bestgen. Thank you.

Greg Bestgen: Mayor Ortega, Greg Bestgen, with city services. We applied for this grant a little over a month ago and it's for the Arizona department of housing. It's for \$940,000 that you can see. It was a quick turnaround. We got notification about two weeks ago. That's why this was an added item to your agenda. Just in a nutshell there is \$500,000 that we allocated in the proposal for room rental for the hotel and then there's \$400,000 for supportive services, case management kind of wraparound, getting folks or entered to social determinants of health and that kind of thing. And then the \$40,000 was for nutrition. -- nutritional kind of food for them while they are in the program.

Just to give you a little more information about what are the activities of the program, I will just kind of read through these. So we'll be serving, we think, over the next additional year because this would allow us to continue the program for another year. So we'd be serving about another 120 adults and that would include seniors and moms with kids, and a few dads, single dads with kids. And then what we're providing is emergency bedding, of course, for the families experiencing homelessness or to prevent homelessness, probably more like. So we have 10 rooms that we'd be continuing to rent from the hotel. And 33% of those or three rooms would be per the precepts of the proposal or the grant. We have to serve folks from the zone that are -- those neighborhoods, the blocks that are being kind of shut down in Phoenix.

The idea was that we would then take some of that overflow. So, again, it's three of the ten rooms and we put in our proposal that we would serve specifically senior women, women with children, and families. That's our -- that's the proposed folks that we would take referrals from. So we kept it very narrow in terms of who we would accept because I think that we feel like that's probably some of the most marginalized of the population, women that are falling into homelessness.

So that's the scope of what we are doing. So the outcomes are better sleep, hygiene, security

and accessibility of services. So just in a nutshell that's what the program is. We are per the -- just to let you know, that Governor Hobbs, the Title 42 preparedness approach, we are meeting number four of her objective, and that's emergency shelter. And that will ensure migrants are sheltered while they await transportation. So that's the piece of not only the zone but also Title 42 according to Governor Hobbs.

In another kind of piece to note is that some of the folks that we're going to be serving the senior women and the moms with families, we have some tenant-based rental assistance vouchers that are going to be offered in September. And so we're going to be able to refer -- this is just like our housing choice voucher program, it will run the same way. And so these moms, senior women, and families will be referred to those tenant-based rental assistance vouchers.

[Time: 00:44:41]

So we're pretty excited about that. That's why I have Mary here from our housing office. You all know her very well. So with that, we would take any questions.

Mayor Ortega: Councilwoman Whitehead.

Councilwoman Whitehead: Well, thank you, Mary and Greg. I'm thrilled. Congratulations on the fast turnaround on the grant money. So we did this, was it the summer of 2020, '21, where we had the hotel and at success rate was pretty high at helping these people not only have housing in the hottest months of the year but also getting them permanent housing. Do you have offhand the percent, the success rate that we had there?

Greg Bestgen: The success?

Councilwoman Whitehead: Yes, the people that were housed afterwards permanently?

Greg Bestgen: Yes, Mayor Ortega, and Councilwoman Whitehead. We have an 86% success rate and that's people who participated in the program and gotten into housing from the program. Again, we -- we do have a plan that we set up with each one of these participants. You can't just come in and be in the hotel. It's case managed. We want you to follow a plan and the idea is within 30 days, that's where that 120 for the year, within 30 days we will get you transitioned into various types of housing, whether it's bridge housing, permanent supportive housing, whether it's an apartment. A lot of them, we have gotten rental assistance from Vista Dell Camino to provide them getting into the first month rent and the security deposit and stuff like that. So we have several prongs that support these kind of programs. It's not just a one and done.

Councilwoman Whitehead: Yeah, and also we have had a pretty steep increase in the number of landlords that accept vouchers in Scottsdale. So I think that's worth noting Mr. Kauftheil should be happy about that. Just thank you. Everybody knows there's a cost to taxpayers

besides the -- you know, the responsibility we have, but there's a cost to allowing people to be homeless. It definitely is worth it to invest in helping people. It saves money too. So thank you.

Mayor Ortega: Councilmember Graham.

Councilmember Graham: Thank you, Mayor. Greg, thank you for your presentation. Where -- where is the hotel going? Where is -- which hotel is it? You said -- you said it's to reserve ten rooms in a hotel; is that right?

Greg Bestgen Mayor Ortega, members of the council, Councilmember Graham, the location of the hotel is just off of Pima and Indian Bend. So because of kind of the confidentiality of the folks that we help assist, we -- we don't just ordinarily publicize what the -- and especially for the graciousness of the hotel to give us the rooms. But it's -- it's located just right up there by Indian bend and Pima.

[Time: 00:47:43]

Councilmember Graham: And is -- is -- let me see here. Let me check my notes. Is it -- it's ten rooms we have over -- oh, my question, I'm sorry. None of the dollars will be going towards purchasing any real estate; is that correct? This is just to rent hotels?

Greg Bestgen: That's correct.

Councilmember Graham: And then you mentioned 3 of 10 of the rooms are from the zone in Phoenix. Can you -- how do you know they're from the zone? How do you verify that?

Greg Bestgen: So Mayor Ortega, members of the council, Councilmember Graham, we know that because we were provided with the number from the city of Phoenix. We know that it's roughly 750 folks that are in the various encampments in the blocks down near the human services campus that some of you might be familiar with. And so they -- they gave us a number and said that this is the number that we're trying to effectively take off the street. They do not want them to go. They want them to get into some kind of shelter, whether it's bridge housing like this, or whether it's some other type of shelter that the city of Phoenix is providing. But we do know that we will be in contact with the numbers that they are going to be referring, but, again, we wanted to be specific about who we would serve and that's women.

[Time: 00:49:08]

Councilmember Graham: But, I mean, do you check their I.D., and do they communicate names with you? I mean, how do you feel certain it's the person who was from this area?

Greg Bestgen: Yes. What -- what they provide us with is there is a by names list and so everyone that they're meeting with as they are getting them out of the encampment environment, that's



entered into a database and, yes, confidentially, we have access to that information. And -- and they will absolutely share that with us.

Councilmember Graham: So all of these members, community members, they carry I.D. is that what you are saying?

Greg Bestgen: And those that don't have an I.D., part of the program is to get them, because a lot of times they are stolen when they are on the street and that kind of thing. It's a very dangerous place and so, we work with them through the Arizona department of security and, you know to get them the kind of I.D.s that they need and that can sometimes take a little while, especially if they originate a birth certificate or something from out of state we have to get that. That is what we work with them on when they are on the case manage plan.

Councilmember Graham: What would you say if someone from McCormick Ranch said that it feels like we are absorbing Phoenix's mismanagement of the zone. Would you agree the zone was kind of a mismanaged part? Was mismanaged?

Greg Bestgen: Mayor Ortega, members of the council, Councilmember Graham, I would not comment to that.

Councilmember Graham: Okay. So there were two questions. So about the first question, someone in McCormick Ranch, if feels like we are absorbing Phoenix's mismanagement.

Greg Bestgen: I would say that we have an 86 percent success rate and we know exactly when we exit them, we know exactly where they are going. So I think that that's part of the built-in safety mechanism.

Councilmember Graham: Okay. And then you mentioned we would also be putting -- you used the term "migrants." Can you say a little bit more about that?

Greg Bestgen: These are -- these folks come through the border legally. They come through the border. Some of them come to Tucson. Some of them come to Florence. Some come to the Phoenix area and there are designated -- even some church communities that actually serve those migrants, but this is very short term. The work that we do with those folks, or the nonprofit that we're going to contract with to do that work, they make sure that they get them transportation to various parts the country, where they have sponsors. And it's a very well-run system. Those churches get funding through ICE to do that kind of service, but we will be collaborating and making sure that they get on their way.

Councilmember Graham: Do you -- do you look into their background or vet them as far as any criminal record or anything like that?

[Time: 00:52:25]

Greg Bestgen: Mayor Ortega, members of the Council, Councilmember Graham, no, we do not. That's all work that is done when they come through the border and when those folks are then sent to the various churches and other places, they have been vetted at the border. That's not something that we do on our end.

Councilmember Graham: Okay. And then you also mentioned 84% success rate is that right?

Greg Bestgen: That's correct.

Councilmember Graham: And that's measured because they are put -- they achieve some sort of housing situation more permanent?

Greg Bestgen: That's correct.

Councilmember Graham: How long do you track that after -- is that something you just --

Greg Bestgen: We don't currently have a mechanic mix -- once we have exited them, we don't track them unless they still are being case managed at one of our other centers, which in some cases, like the seniors, they will probably still be case managed at the senior center. We can track those individuals. Once they have moved on into apartments and moved out of the program, it's strictly people power issue to try to keep track of where they are long term. We just don't have that ability.

Councilmember Graham: Okay. All right, Greg, you answered my questions. Thanks for presenting to us. Mary, thank you.

Greg Bestgen: Thank you all.

Mayor Ortega: Councilwoman Caputi.

Councilwoman Caputi: Just really quick. We all know that the homeless problem is very complex, and I think that we all get continual daily emails, what is the city doing to address this difficult problem and this is a perfect example of something we are doing that makes a difference that's measurable, that helps our community. So I'm actually glad that the item got pulled because it is good for residents to see that we are doing positive things that have impact to help this problem. And, again, it's only one of many things that we're doing to help solve, but, I mean, great. It's great that we brought this forward and that we're doing positive things to help the problem. So thank you.

Greg Bestgen: Thank you.

Mayor Ortega: Okay. Well, before making a motion, I would just mention that the acceptance of

funds, whether they are from the county or through other jurisdictions, item 17, we accepted \$105,000 from the Salt River Pima Indian community, that was on the consent agenda and I will make sure we get a thank you note to them. Vice Mayor, if you have a comment.

Vice Mayor Littlefield: I have a short comment and send our thanks to all the staff that you work with also, because I know they are very hard working and do a wonderful job. And we need to help folks that are having a down luck day, and week and month and year, and it's been a very tough time right now, between illnesses, COVID, homelessness, all these different things that have been going on. Many of them totally unforeseen before they struck us in the face. And so I would like to say thank you to all of you guys. You are doing a great job and you are really helping people that need this help. I like to see that you are getting them on their feet again so that they can turn around and become more successful. Thank you.

Greg Bestgen: Thank you.

Mayor Ortega: Okay. With that I move to adopt resolution number 12888 authorizing the contracts as shown in our agenda.

Councilwoman Janik: So moved.

Mayor Ortega: We have a motion and a second. Any other discussion? Please record your vote. Mr. Graham. You voted no. Otherwise, it's 6 yes. The motion carries.

#### **ITEM 41 – FISCAL YEAR 2023/24 PROPERTY TAX LEVIES**

[Time: 00:56:28]

Mayor Ortega: Next, we will go to 41, fiscal year 2023/24 property tax levies. Sonia Andrews is our presenter.

City Treasurer Andrews: Thank you, Mayor. Thank you, council. We've got a quick little presentation. I will wait for that to come up. Okay. There it is. Our next slide. So the adoption of the property tax is a two-step process.

On June 13<sup>th</sup>, we have a truth in taxation hearing and a public hearing and presentation of our proposed property tax rates, and tonight is the actual adoption of the property tax levies. Next slide. The proposed levy for our primary property tax is .515. That generates \$39.3 million in property tax levy for our general fund and our risk management fund. The secondary proposed property tax levy is .4664, generating \$35.6 million for debt service open our G.O. bonds. So the combined property tax rate that we are proposing for fiscal year '23/24 for .9841. Next slide.

So even though our property tax rate proposed this year is an 8% increase from the current year, our property tax rates have actually decreased over the last five years. And this chart

shows you that our combined property tax rate back in 2018/19 was actually 1.1021 and today, it's less than a dollar at 98.14. Next slide.

I wanted to share that our property tax rate is the lowest in the valley. Now, even though each of these cities have different property values and I get that. The different property values do matter here, but at the same time, our property tax rate is one of the lowest in the valley. It's only higher than Mesa, because Mesa does not assess a primary property tax revenue because they use utility revenues to assess a property tax revenue.

I know at the last truth in taxation hearing, council asked for what are the senior assistance programs that are out there to assist low-income seniors with property tax assessments. There are actually four programs. One is the senior property valuation protection program. It is eligible for seniors that are 65 and older. It has to be a primary residence. They have to be in there for two years and there's some income limitations. The application is due to the county in September. There's also Maricopa County elderly assistance funds that gives them up to \$200 per year in assistance for property taxes and there's also property tax exemption for widowed and disabled seniors that's available to assist with property taxes as well.

So with that, we are asking council to adopt the ordinance number 4595 assessing the fiscal year 23/24 primary and secondary property tax levies and fixing the primary and secondary property tax rates. I can answer any questions that you might have. Thank you.

Mayor Ortega: First, I see Councilmember Durham and then Councilwoman Whitehead.

Councilmember Durham: Thank you, Mayor. I didn't say anything about this when it first came up on June 14<sup>th</sup>. But there have been some questions about why we're raising taxes in this atmosphere. I think if I remember correctly, it's 3.65, which is well below the cost of inflation. We're a service provider, and so the city buys gas, water, construction materials, all sorts of other things that have been subject to inflation. And it's only fiscally responsible for us that we price our services -- well, we can't price our services below the cost of our materials and gas, everything. We suffer those price increases just like households do. So it would be -- you know, it's a tough time right now for a lot of people, but it wouldn't be responsible for us to defer necessary increases because then we would just be in a bigger hold next year.

So I think that this is a reasonable increase and is fiscally responsible for us to meet our obligations. So I will be voting for it. Thank you.

Mayor Ortega: Councilwoman Whitehead.

[Time: 01:02:13]

Councilwoman Whitehead: Thank you, Mayor. And I will double down on what Councilman Durham just said. The city council has spent -- well, over a year working on the budget and

Councilman Graham is new to, it but he spent plenty of time on it. The budget, we approved it 7-0. We unanimously approved it. It makes no sense for anybody who voted for the budget to then vote to defund it. And this very minor tax of \$7 a year, adds to the motto of world-class city with world-class services and the lowest darn tax. Mesa has an electric utility. It's not their water utility funding their police. It's something that we have that we don't have.

But I just want to, again, remind everybody that what we put into this budget includes higher police pay. Something we were lacking for five plus years. We were losing our best police officers. We put in services to prevent homelessness, we've put in money to improve our parks and many of the other priorities, again, as I pointed out in the last meeting, citizens came to us with petitions. I mean, this is a 250,000-person city. People came to us with petitions and those petitions they made sense, pickleball courts, missing sidewalks, they're in the budget. Talk about a city that is directly working with its residence. So I just respectfully ask my colleagues to show some unity. We all pitch in a little and we get a whole heck of a lot. And so I strongly support the budget and the funding mechanisms for the budget that we all approved. Thank you.

Mayor Ortega: Councilmember Graham, Councilmember Caputi.

Councilmember Graham: Well, I guess we will get into a discussion a little bit about the property taxes. I wasn't planning to, but I suppose we can. The budget to be -- to make a comment about not funding the budget, like, a budget -- nobody ever has liked everything about a budget. So I just come to an agreement on a budget and that's an authorization. And then you can vote on separate things that relate to the budget. I reject the premise that we have a \$2.5 billion authorization document, and we need \$7 -- we need to get 7 more per person. I want to ask Sonia, that \$7, Sonia, is that -- where does that number come from?

[Time: 01:05:08]

City Treasurer Andrews: The \$7 was calculated based on the median property value in Scottsdale. And it was calculated based on if we kept the exact same primary property tax rate that we're assessing today, which is .497 and for the median property value home, the difference of the proposed primary property tax of .515 and what we are assessing today would be \$7. So if we wanted to translate that to something easier to understand, the increase in the primary property tax would be \$1.80 per hundred thousand dollars of assessed value. So \$1.80. So if you have a home that is valued at \$1 million, your increase in the primary property taxes for the whole year would be \$18.

Councilmember Graham: But that's moving from one percentage to the next year, right? That's keeping that percentage?

City Treasurer Andrews: That is assuming that if we kept the same rate that we are charging today, the .497. If we kept the same rate that we are charging and you \$1 million assessed value home, you will be paying \$18 more.

Councilmember Graham: Okay. And is it true that primary property taxes -- from not -- we -- you can get lost in the weed as far as percentage and values and all, that but the check, the amount of check that someone writes for their property taxes for city of Scottsdale primary property taxes since FY-'18 has gone up 23%? Not to put you on the spot.

City Treasurer Andrews: I'm not sure where you got the 23% from.

Councilmember Graham: I got it from one of your emails. So I can point that out. I can recirculate that.

City Treasurer Andrews: If the \$18 equates to 23%, then that's what it is.

Councilmember Graham: And the other thing is when you raise -- I want -- you know, Scottsdale is a low tax state -- or a low tax city and I want to keep it that way. So my question would be can we defend every single dollar that we spend? All the popular stuff, the public safety, all the projects we're doing, that's not what we're talking about. It's about can we defend every single dollar? Because we go over -- we have project overruns. We shouldn't have done that. We hired this contractor and we -- we stopped midway through the project and we change contractors. Not every dollar is defensible that we spend. And in this environment of high inflationary pressures, residents could use a break for their property tax increases. So thank you, Mayor.

Mayor Ortega: Okay. Councilwoman Caputi, then myself. Councilwoman Caputi.

[Time: 01:08:14]

Councilwoman Caputi: Thank you, Mayor. I will try to figure out how to say a couple of comments that haven't already been said because I think my colleagues have done a great job, again, simply better service for a world-class community that's what we deliver here in Scottsdale and it's hard to believe that we are up here arguing about a handful of dollars. I think it is really important to put this in perspective as has been done. We're talking about increasing the tax amount to an average homeowner in our city, approximately \$7 in exchange for all the things we deliver to our citizens who expect the highest of services and I just -- I think that we're doing an excellent job and we should be proud of it, rather than feeling defense up here and I -- I -- I'm completely supportive of this move. So Mayor wanted to speak and then I imagine we want to make a motion. Thank you.

Mayor Ortega: First of all, this is my seventh budget as councilman, I worked on four right after 9/11, when a lot of things were uncertain. Today, this is our third as Mayor and other councilmembers as well. I think the longest tenure is Vice Mayor, you know, Kathy Littlefield, and we follow a policy and that policy has been exercised by all councils because the property tax obligation speaks directly to our fiduciary covenant or requirement to bondholders and speaks directly to our three star rating, our highest Moody's and Standard & Poore's ranking.

It's not something that we, in my opinion, and -- that we target which would weaken our standing, because that is part of our very secure financial picture. The real question is we are staying within the bounds of -- in fact, we are substantially lower than the maximum that's permitted the other thing I want to point out is that property taxes apply to residential and commercial and I know some people have spoken to the senior members or so forth, but actually, the commercial properties pay property taxes and that -- that amounts to about 55% of the property tax that's collected by the city, that supports, you know, our wonderful businesses, that support services and products, that support our economy with jobs, but also pay the -- essentially the debt services on our general obligation bonds. So we are all in it together.

It's not as no he -- and it is about the cost of a hamburger, okay, per year. And some places they pay \$20 for a hamburger in that part of town and that's probably what it would be if it was a \$1 million home, about \$18. So -- but it's very important to look at that. The other thing that I look at year-to-year is the delta, that is how responsive is the council with scarce revenues and limited resources and probably a wish list that's bigger than -- than we can afford, but it is paired through every department and proposed as a budget.

[Time: 01:12:08]

Now, at one point, we got an expenditure summary of 50 more F.T.E.s, full-time employees. There was apparently an initial request of 162, and it was pared to 50. And of those 20 are related to a water fund or a -- you know, designated transportation fund. In other words, they are billable for fees or fee structure to waste or water and they are calculated and justified because of the needs of the water department. We can say, for instance, there's five new employees in the budget, identified and it's paid through the solid waste fee system. So the remaining, let's say 30 of the 50 involve -- involve police officers for enforcing the short-term rental problem. And enforcing workers with the fire department from our general fund allocations. And in some cases, they are half an employee or a tenth of an employee and so it's calculated pretty reasonably and we all vetted this.

But essentially if you take the general fund, the general fund expenditure for these 30 employees or 31 employees, it's about \$3 million. And the list that we have actually is \$6 million for 50 employees but many of them are allocated through the waste and water fees and transportation tax. So we have gone through that process of analyzing each of these and I'm -- I'm not in favor of extracting those positions, which, coincidentally, come close to the \$3 million. And saying well, we'll find it somewhere or other, especially when it goes against the principles of our debt service payments and our allocations for -- [ Phone ringing ]

Sorry about that. I thought I turned this thing off. What I'm saying is we are foundational in our decisions. Our decisions are reviewed by our treasurer, are reviewed by every department, and in particular, if we quantify that, with these new positions, and hopefully we can fill all of them, right? These are in our budget and we expect to fill them. We want to have money to fill them.

But they all have to do with the level of service that we expect, that businesses expect, that, you know, people in apartments expect, the residents that own homes expect. And I don't want to look at cutting corners. I don't believe that we should shave off money especially when it impacts our ability to -- well, to keep true to our policies that we have. That these funds for the secondary property tax are allocated specifically for -- for general obligation bonds. And cutting into that is not a wise decision. Also, it would be counter -- not just counterintuitive, but also it would have a negative impact on our financial sustainability. I will be supporting the budget as stated. Vice Mayor Littlefield and then we have some -- please go ahead, Vice Mayor Littlefield.

[Time: 01:16:26]

Vice Mayor Littlefield: Thank you, Mayor. I would like to echo what the Mayor said. He's right on target. The property taxes come from not only personal property taxes but commercial taxes also, property taxes. And they go to combine to give us as Scottsdale residents an extremely high quality of life. They're one of the lowest rates in the valley, if not the lowest. There might be one that sneaks in behind us. We are very, very careful in what we spend this money on and primarily, it's quality of life. And we want to keep that quality of life special and unique and high for our citizens. Now, you know me. I have been up here for many years and, you know, I don't like raising taxes. I would much prefer to be able to lower them. But I'm not willing to do that at the expense of safety for our residents.

We need our police and we need our fire and they need to be paid, and we need to have them here when they are needed. We need all of these kinds of things that most people don't think about, but they're ongoing. Our code enforcement officers that come when they are called to try to help solve some of the issues in neighborhoods and residential areas. All of the funding that we have to do as a city to keep our city at the highest level that we possibly can for our citizens and this is what the taxes go for. We don't put them in a bank and say, oh, golly gee, we have millions of dollars here now. What fun! We're going how can we use this money to better the quality of life and service that our citizens expect from us. And it takes money, folks, and as inflation hits and as things become more expensive, materials become more expensive, we need to meet that cost. And so I am going to support this.

I think it is vetted and has been vetted by our treasurer and by every single councilperson sitting up here, about three or four times we have gone over it. I think our charter officers have gone over it and peeled it back and looked at it and I think it's the best that can be done to keep that quality of life up for every person that lives here. And so I will be supporting it. I think it's the best thing to do for everyone concerned. Thank you.

Mayor Ortega: Councilwoman Caputi and then Graham.

[Time: 01:19:11]



Councilwoman Caputi: I will make a motion, but I want to make one last quick comment. I want to remind everyone that this rate that we are talking about today, the slightly increased rate is still below the rate that we charged in 2018 and I know everyone here is very aware of what happened in the world since 2018. Inflation has been insane and we are below the rate of 2018. So on that, I will make a motion to approve the fiscal year 2023-24 property tax levies.

Councilwoman Whitehead: Second.

Mayor Ortega: And that was to adopt ordinance number 4595?

Councilmember Graham: And may I comment, Mayor?

Mayor Ortega: Oh, yes. Continue. Councilmember Graham.

Councilmember Graham: Thank you, Mayor. I didn't really prepare -- I thought we kind of had the debate last meeting, but I put together some notes here as I was kind of listening to my colleagues and it's -- these are thought out, thought through, thoughtful comments. I will say that it's a \$2.5 billion budget and we're talking about \$3 million increase. So there's no cutting of major services. We don't have to take every dollar from residents that we can. A \$2.5 billion budget. Scottsdale is the epicenter for inflationary costs. Gas prices. If you consider that in sort of a sense is a cost of living or even a tax increase, some might consider it. Your gas is a lot more expensive. Inflation here is out of control, ripping Scottsdale and the Phoenix metro area. And it's true that the part of your property taxes that the city assesses is a small component. Other components, the county, other areas, schools, those are going up too. So we don't have to add to that. We have a \$2.5 billion budget.

It's not a time to -- this isn't a time to be absolutist about raising taxes or not raising taxes. This is a time to look outside, to look at the economy and say this is -- this isn't a great time to do it right now. We don't have to do it at every opportunity. Rate -- the rate is going down, that's because the assessed values are going up. The check that we write is going up every single year since fiscal '18 and nobody can deny that. So I don't think it's a great time to do it. And other parts of your property taxes will be hiked. You will be paying more in taxes. We are adding personnel to the budget? Do we have to add every single person to the budget? Can we make tougher decisions. You are tightening your belt. We even just heard from one of the commenters at the public comment that unhoused people are just a few hundred bucks away from hitting the streets. So a few dollars can add up a lot to people.

Last couple of things I will say is that we have grown as a population in our city. Residents or nonresidents, but the number of units and the number of people paying into the pool has grown by thousands. We have added thousands of housing units, and with have been told every step of the way this pays for itself. It fills the public coffers. We have more money. We will be better off we will be more prosperous but here we are coming back to you and extracting more. It's just a few bucks but we don't have to add on to the other increases that you will be paying. The last

thing I will say in addition to this, we will be coming back and asking you to raise your sales tax next year. So something to take into consideration. Thank you, Mayor.

Mayor Ortega: Councilwoman Whitehead.

[Time: 01:23:26]

Councilwoman Whitehead: I would like to speak to my second and respond some of Graham's remarks. I want to give a little idea to the members of the public how the city budget works. We are not spending \$2.5 billion. The way city budgets work is we -- they're divided into different categories. We have the general fund and the capital budget, there's two primary portions.

The majority of our dollars in our budget, they are to keep you safe as in keep the roads from having potholes or fixing bridges or making sure that when you turn on the tap, the water comes out or when you flush the toilet it goes out. So the majority of the cost for running a city has to do with infrastructure. And so the majority of our budget is for that. But as well, the way a city budget is written it includes the entire cost of -- of a capital project. So, for instance, you might -- it might take five years to add pumping capacity that we need to bring sewage up to our water treatment plant. That entire amount is in an annual budget even though that's not going to be spent. So what does the primary property tax do? The primary property tax, it pays for -- it pays for the operations, the general fund. It basically pays for staff.

I think Councilman Durham says we're a service organization. And so the majority of our costs is staff and the majority of that is our police. And so that's really -- so we fund different parts of the budget in a different way, but when we try to fund police or code enforcement officers or having, you know, a parks staff, that's coming from this property tax.

And I do want to mention about the tax too. So for two times in, gosh, 25 years, voters overwhelmingly tax themselves to buy and preserve 30,000 acres called McDowell Sonoran Preserve. So the first of those two taxes, which is a 2% tax is expiring. And so what voters will have an opportunity to consider next year will be some sort of continuing, some or all of that tax in order to upgrade and maintain our parks. So it's -- there's no sales tax. We cannot increase your sales taxes. Only you, the voters can.

And we have a committee that is looking at the -- the council has taken no action other than to appoint the committee. I wanted to give some clarification. We won't be spending \$2.5 billion this year. That's it for my second.

Mayor Ortega: Okay. Well, we are the jurisdiction of Scottsdale. And if someone wants less taxes, they can move to the county because that's where they are under the county's purview. In Scottsdale, we value four things. Our beauty, keeping a city clean, keeping a city safe, and about our wellness. And those are the values that I don't equate with taxes. Taxes as was said is not just something we put in the bank and say, gee, we're fat and wealthy.

We direct our -- our revenues that are voted on by the people, whether they are sales tax or in this case, the only subject tonight is property tax. The state of Arizona requires that every jurisdiction publicize, justify, hold public hearings on the revenues that they need to support their jurisdiction. That's what we're doing. It's a good thing.

Please record your vote. Okay. The motion carries 6-1. Councilman Graham opposing.

**ITEM 42 – FISCAL YEAR 2023/24 STREETLIGHT IMPROVEMENT DISTRICT PROPERTY TAX LEVY**

[Time: 01:28:10]

Mayor Ortega: Next, we move to the next item on our agenda, which is item number 42. The administration of municipal streetlight improvement district property tax levy. And we will have a presentation.

City Treasurer Andrews: Thank you, Mayor. Thank you, council. Again, this is a really quick presentation. Next slide. This is for the streetlight improvement district, property tax levy for the streetlight improvement districts. Again, it's also a two-step process on June 13<sup>th</sup>, we had a public hearing and presentation of all of our streetlight improvement district property tax levies. Next slide. The total proposed levy is \$494,979. And next slide. And so we're asking council to adopt resolution number 4596, assessing the fiscal year '23/24 streetlight improvement district property tax levy by districts in accordance with revised statutes and city charter.

Mayor Ortega: Okay, Councilman Durham.

Councilmember Durham: Thank you, Mayor. I move to adopt -- I lost my place. I move to adopt ordinance number 4595 –

Mayor Ortega: 96?

Councilwoman Janik: 96.

Councilmember Durham: 4596, I'm sorry.

Councilwoman Janik: Second.

Mayor Ortega: Sure. We have a motion and a second. Please record your vote. That one is unanimous. Thank you.

**ITEM 43 – INTENTIONALLY CREATED SURPLUS PRESERVATION AGREEMENT**

[Time: 01:29:58]

Mayor Ortega: We are moving on to item number 43. We'll have a co-presentation. Brian

Biesemeyer is standing by, as well as Gretchen Baumgardner. Please proceed, Gretchen. Thank you.

Gretchen Baumgardner: All right. Well, good evening, Mayor and council. My name is Gretchen Baumgardner. I'm the water policy manager for the city of Scottsdale. Scottsdale water. The next two agenda items are mine and they -- they have similarities, but I'm gonna kind of separate them because they do have some differences. So this first one is a doozie.

Intentionally created surplus preservation agreement with the Arizona department of water resources and central Arizona water conservation district. Before I jump into what the agreement, is I want to give a history of what ICS is. In 2007 interim guidelines were created and this is the intergovernance document, the governance document that governs the triggers on like Mead, how we're triggered on shortage, the levels, how much is actually shorted depending on what level Lake Mead is, also how you manage Lake Powell and Lake Mead conjunctive. And one of those is intentionally created surplus. ICS.

So this is basically a pseudo savings account in the lake. It was created to incentivize folks to conserve water based on a couple of principles and the ability to do some projects and earmark, conserve water in the lake so they can use it at a different time. In 2019, the drought contingency plan overlaid the 2007 interim guidelines because we realized the system was at much dire needs than what the 2007 guidelines could actually manage.

With the 2019dcp, what would happen inside the state of Arizona, was that we were going to be asked to have greater cuts. Now, the greater cuts also apply to agriculture users that had access to the Arizona central water. They were asked to step off of the precipice sooner. And they created a mitigation plan, to mitigate a junior prior, they had to mitigate a majority. And we signed a mitigation agreement with the state for that -- for that water. Basically, they give us water that we would have been cut using the ICS they have been storing in the lake for several years. That takes us to 2023.

I have been here in front of you Mayor and council for the last couple of years, probably almost on a quarterly basis now, giving you updates on what's happened in the Colorado River. Showcasing how we're trying to preserve our own rights, how we're trying to be good partners and how we're trying to build conservation programs inside our city. And so right now, we have the ability to take wet water in lieu of being cut the NIA water and the defendant of water resources has asked to be able to preserve that ICS and take funds for it instead of wet water. So what does that actually mean?

[Time: 01:33:53]

The fund colorful schematic is just the mitigation scheme. The green portion through 2022, the end of the interim guidelines, the green portion is add mitigation and the orange yellowish is NIA mitigation and it ratchets down. So in 2023, where we sit, our NIA water can be 75% of it

can be mitigated with wet water but that's ICS is that the state holds so the state is asking us to take money in lieu of that, so they can use that at a later date should we get closer to the precipice that we know is potentially coming.

So they have offered us \$330 an acre foot in calendar year '23, so preserve almost 2500-acre feet, and giving us 818,000ish dollars. The state and CAP would like us to consider this as a tool for the state to utilize at a later date, and take funds for that. So staff is recommending to approve the contract, with the department of Arizona through the central Arizona water conservation district for intentionally created surplus preservation in 2023. Do I have any questions?

Mayor Ortega: Yes, I just had a couple of comments. So in 2021, as a recall, this Council visited the first offer, I believe it was for 1,000-acre feet on a similar sort of transaction at, I think it was about \$126 per acre foot two years ago. I'm just kind of trying to relate it, although -- because then last year, I thought there was another offer for about 4,000 or maybe it was this year for another 4,000-acre feet and another sum. Today, we're looking at a \$330 per acre foot and when I first took office, I thought it was under \$1.20 or so at that time for CAP water. So this just gives the public -- you must take note of this and there is an escalation anticipated for next year, and then the following year, it would cap out at \$400, I believe per acre foot. So that's the reality that all the CAP cities are dealing with because by trying to bank water and raise the levels.

I know nature helped but the draw out is way excessive, even for what fell with the snowfall. So I'm just saying this is consistent with our past actions as a council, and with that, let's go to Councilwoman Janik.

Councilwoman Janik: Thank you, Gretchen. Okay. So we aren't going to use the water. We will leave it behind. We are being compensated financially. And it's generous compensation. My question is: If we can't have a water shortage and if we did take that water, would we be banking it for future use? What would we be doing with that water that we are now not getting, instead we are getting money?

Gretchen Baumgardner: Yep. So whenever I give mentions about our water resources and how we manage our water resources, financial -- financial planning is a really great proxy. So you are right. We have a portion of our water resources portfolio that we use as a savings account. And we bank that in the ground, either up -- in our service area or around the Phoenix IMA to be able to put in our long-term storage credit account to be able to pull at a later date. So this is water that we would have banked this year, correct.

[Time: 01:37:53]

Councilwoman Janik: Okay. Next question. How long can we continue to do this before we have to be in to draw down our own water resources? The actual water?

Gretchen Baumgardner: So we have a -- like any good desert city here in Arizona, that includes the valley and other desert cities in Arizona, our water resource portfolio is built to be diverse and resilient and robust for -- to be able to manage the future. And so this is just for calendar year '23. This does not necessarily give us -- we're not a disadvantage here. It doesn't necessarily nick us very hard. I don't really have a time length exactly. We wouldn't be able to do this for 100 years, but these are kind of things that we do in consideration to build good stewardship as we go through the interim guideline periods.

Councilwoman Janik: And I'm in favor of it, just an estimate, could we be doing this for ten years before where he have to -- before we have to draw down our own actual water?

Gretchen Baumgardner: So the next presentation will be quite similar to this. There are two different agreements and the next one is with the federal government, but it's very similar. Outside of both of these agreements, we will still be banking some water for future needs. So if we are using the financial proxy, we are not giving all of our savings account away this year.

Councilwoman Janik: Okay. Thank you.

Mayor Ortega: And let me ask Brian Biesemeyer to add to that answer from staff.

Brian Biesemeyer: Thank you, Mayor and Gretchen. This portion that she's talking about right now is our NIA water. This is a very small margin. As Gretchen said, it won't really impact our direct use and as we stated previously, you know, a lot depends on growth and how we grow and growing smarter. And we've assessed that our plans show that in a tier three -- in a Tier 3 shortage, our plans show that we are safe with the current consumption levels 2035 and any of these things right now are not in our immediate direct impact for what our customers are use.

Councilwoman Janik: Thank you.

Mayor Ortega: Thank you. Councilmember Graham.

Councilmember Graham: Thank you, Mayor. Gretchen, very good presentation. Thank you, Brian for adding to that response. The -- so basically, we're getting compensated not to take as much water, right? Do we ever get that water back in the future?

Gretchen Baumgardner: No, this is an annual basis.

Councilmember Graham: No, but I mean do we bank it and at some point in a non-drought year, we can recover it.

Gretchen Baumgardner: This is giving water -- for this calendar year, it's giving water to the system.

Councilmember Graham: Is there a ledger in the future down the road, a future year where we --

[Time: 01:41:00]

Gretchen Baumgardner: So let's say next year we're miraculously not in drought.

Councilmember Graham: Which is very unlikely, right?

Gretchen Baumgardner: So we would -- this water would basically January 1, this becomes kind of clean again, and we get our allocation depending on what actual shortage we are in. Let's say next year we are not in a shortage and we will find that out in August. This is ours next year again.

Councilmember Graham: Okay. And then who cuts the check? Who writes us the check?

Gretchen Baumgardner: CAP.

Councilmember Graham: CAP. Okay. And how much do they pay us \$330.

Gretchen Baumgardner: The \$330 better acre feet and \$880,000.

Councilmember Graham: You have done this analysis. At first it seems risky, but I think you thought it through, and you think it's a good deal for us; is that right?

Gretchen Baumgardner: Correct, yeah.

Councilmember Graham: When do they make the payment?

Gretchen Baumgardner: So once you sign an agreement, I will amend the -- I will amend our water order, and I believe the contract says within 30 days.

Councilmember Graham: Pretty fast. And then I guess my last -- this is more of an abstract question, but I think the goal of this is to protect the lake levels of Lake Mead, but are you concerned at all that higher lake levels in Lake Mead might temper the urgency of the drought condition? I think that that -- you know, visuals are powerful. And that visual of those extremely low level -- low lake levels makes people -- gives people an emotional reaction. Are you concerned that this might reduce the urgency of the matter.

[Time: 01:42:44]

Gretchen Baumgardner: So with the concept of ICS and, again, this item and the next item are

closely related but since I'm just talking about ICS, the state has an obligation to take approximately 60,000-acre feet out of the lake and give it to NIA -- NIA contractors. They've earmarked about 30,000-acre feet.

So our 25 it hundred acre feet out of the 30,000-acre feet is not a large quantity of water. So as far as the ICS is concerned and Lake Mead, it's -- it's not a large county is.

Councilmember Graham: It's a proverbial drop in the bucket. How many water idioms are there? Are our counterparts participating?

Gretchen Baumgardner: Yes, there's several other municipalities in the state that are participating in this. One of the items when we talk about ICS preservation and then to the larger degree the system conservation, which will be the next one, what this winter does and also system conservation, is it buys us time.

So when I mentioned 2007 interim guidelines those are set to expire at the end of '26. And the federal registry just opened two weeks ago to start that negotiation process. It gives us that time. We knew we were standing at the precipice. This buys us some time to have those bigger, broader, harder conversations with the seven basin states.

Councilmember Graham: Aware of any municipalities that are not taking this deal around us or other water buyers?

Gretchen Baumgardner: There's not -- not everyone has access to NIA water. So to say which valley cities do or don't participate in this, it all depends on their portfolio.

Councilmember Graham: But you know that Phoenix is --

Gretchen Baumgardner: I don't have any knowledge whether Phoenix is or not. I can get that for you.

Councilmember Graham: I would be curious to see what your counterparts are thinking and if you are -- if everybody is on the same page. So that would be all my questions for the time being, Mayor. Thank you, Gretchen.

Mayor Ortega: Back to Brian Biesemeyer and then I have Councilwoman Whitehead. Could you put the motion on the -- go to the next slide, please.

Brian Biesemeyer: Thank you, Mr. Mayor and Council and then to Councilman Graham's question. Gretchen, I think it's like 150 feet of water that the dam is down in total.

Gretchen Baumgardner: Since the year 2000.



Brian Biesemeyer: Will that make others less likely or concerned about the drought, you can still go after this is all said and done, and you will see, like 140 feet after -- to I don't think it takes away anybody's visual impact that we're in a drought and it's been a long drought.

Councilmember Graham: You are saying it's not going to make -- sorry Mr. Mayor. Brian, it won't actually raise the level a terrible amount?

Brian Biesemeyer: It's not. It's raising which is a good thing, but it's not -- when it's all said and done, it's not going to take away that scar, a big percentage of that scar.

[Time: 01:45:58]

Councilmember Graham: Thank you for indulging that question.

Mayor Ortega: Councilwoman Whitehead.

Councilwoman Whitehead: I motion to adopt resolution number 12824, to authorize the intentionally created surplus preservation agreement. I should have had my classes on.

Councilmember Graham: Second.

Councilwoman Janik: Second.

Mayor Ortega: We have a second and we have a motion and a second. You know, I just want to stress that it takes at least three prongs, continued conservation. This is a stopgap measure and, of course, we rely on our world-class water department and our consultation to provide our -- to manage and control and deliver our water resources. Please record your vote. Okay. It's unanimous.

#### **ITEM 44 – SYSTEM CONSERVATION IMPLEMENTATION AGREEMENT**

[Time: 01:46:56]

Mayor Ortega: Moving on to 44, also water related. And continue.

Gretchen Baumgardner: So this item is very similar to the last item. The last item was with the state, and this is with the federal government. This is the Central Arizona Water Conservation District and Scottsdale. So compensated conservation agreements somewhat similar to the one I just talked about, conservation agreements are a tool that has actually been utilized by several organizations and entities, not just Arizona, but other basin states the last couple of years to find ways to continue to leave water in Lake Mead while we have those hard conversations. So this is one of those efforts.

I was here last summer explaining to -- to Mayor and council about the conversation that the

federal government and the U.S. Bureau of Reclamation had asked the basin states to do. And we were standing at a precipice watching the system basically fall. And the federal government asked the basin states to get together and find a way to conserve additional water outside of the 2007 interim guidelines to make sure that it doesn't fall to dire -- to dire levels. It's taken the state quite the amount of time to come up with an actual -- an agreement.

So the lower basin states, California, Nevada, Arizona, have come up with a plan to save 3 million-acre feet up to the end of this interim guidelines in 2026, using system conservation, funded through the inflation reduction act of 2022. This table here is what Arizona, California, and Nevada have agreed to voluntarily leave in the lake in calendar year '23 to '26. None of these are mandatory reductions. These are all voluntary reductions by the different contractors and then subcontractors within those states.

What we should know is these voluntary amounts are above and beyond what -- what cuts we have -- are incurring in each one of those years. You can see Arizona has found a number of entities to voluntarily leave water in the lake and get compensated for it, for 375,000-acre feet on an annual basis. '23, '24 and '25 and a little bit in tea 26, to be -- '26 to be able to save up to 3 million-acre feet. The federal government asked for 2 to 4 million-acre feet. And the lower basins were able to find three.

The entities thus far that have signed contracts with the federal government are on the screen. Peoria, Phoenix, asking you today to approve the agreement, Tucson, Glendale, Gilbert, Gila River Indian community, and the ASARCO. And the large portion is the Gila River Indian community, and Tucson. We have to find the ability to find water and utilize and leave water on the lake, depending on what their portfolio is and the current demands are. And everyone has been having to evaluate what portion of their savings account they need to leave behind and keep them secure.

What does that mean for Scottsdale? So internally we evaluated this agreement. We had conversations with the federal government, we've evaluated how much we have for water, what our demands are, what we normally put in storage and what kind of the partner we can be with our federal government over the next three years. We determined in '23, 7,000-acre feet, in '24, 6,000-acre feet and in '25, 5,000-acre feet and now the federal government will give more money should you go into contract for longer periods of time.

The \$400 an acre foot was if you would go into an agreement for 3 years. It was a bigger carrot. That equates to \$7.2 million -- equates to \$7.3 million to be paid out on annual basis when you modify your water order for that year. Staff recommends approving contract of system conservation implementation agreement between the U.S. Bureau of Reclamation, the central Arizona water conservation district to implement lower Colorado efficiency programs to conserve the CAP water in lake immediate in exchange for compensation.

Mayor Ortega: Thank you. Councilwoman Whitehead.

[Time: 01:52:05]

Councilwoman Whitehead: So these funds can be used. We have a number of infrastructure projects to, for instance, to recycle more water. These funds will probably be put forward -- put to use to do just that, I suppose? I guess this is a question for Mr. Biesemeyer.

Brian Biesemeyer: Mayor and council, Councilwoman Whitehead. We're an enterprise operation and they will cover our operating costs first and then at the end of the year, this is another revenue source at the end of the year subtracting out our operating costs, we have a bucket of money that we use in our capital fund. This would just go into our capital funds for the next year.

Councilwoman Whitehead: Yeah, well, great. That's great. We are funding using less water from the future and that he is wonderful. And still having a good quality of life. With that, I guess I will motion to adopt Resolution 12817, approving contract number 2023-061-COS for the system conservation implementation agreement.

Mayor Ortega: I will second that. I will speak to that. You may have noticed when the true up was done earlier today, there was an item of \$15 million regarding drilling and pumping stations. That's part of the water -- the Scottsdale water facilities. And so it's one thing to store water. It's another thing to be able to bring it back up. So essentially, we are increasing our capacity of recovering water.

When we take water CAP water, raw water out of the canal, you know, it's a wide canal and they open the gates and we can do that. It's another thing to extract what we stored in an aquifer. And by the way, just to picture, that the storage that we have in the aquifers and what we have in acre feet, that would be the equivalent if we had a storage tank one square mile by about 60 feet tall. Of course, we don't do that in Scottsdale. We don't have the towers holding water and storing water. We do it by restoring the aquifer. And, of course, there's different aquifers that we replenish. That's very good stewardship, guardianship. I do see one more comment. Councilmember Graham.

Councilmember Graham: Thank you, Mayor. This is -- I kind of have the same question, Gretchen, as far as our counterparts participation in the program. And as I think about this more, is it -- is there any risk to Scottsdale, any exposure if the drought gets really bad?

[Time: 01:55:17]

Gretchen Baumgardner: So one the reasons why we decided to kind of ratchet this down, even though it is three years, it's obviously progressed out from today. The unknowns become bigger. So 7,000-acre feet this year, we can manage as I mentioned last item, Councilmember Janik, we're not leaving all of our savings being in the lake. There's still some portions of our water resources portfolio that we are recharging and earning long-term storage credits and we are

ratcheting that down over the next couple of years to make sure that we're less risk adverse in that way. So I would say with this particular agreement, no. We -- the risk is relatively low to us.

Councilmember Graham: You guys have done what you thought you needed to do to reduce the risk.

Gretchen Baumgardner: There is also a portion in the agreement should a shortage be -- be drastic and almost Draconian, there is a clause in the agreement that allows us to say in 2025, should we get cut -- in an unanticipated major cut we do not necessarily need to be part of the agreement. So there's an out.

Councilmember Graham: So there's a --

Gretchen Baumgardner: And '24, '25.

Councilmember Graham: So there's a circuit breaker. I think you talked about this. Can you summarize what you plan to do with the money?

Gretchen Baumgardner: So as executive director Biesemeyer had said, obviously as we go through the budget process all the money we have is for operating budget. Anything left over goes into capital and we try to do as good a job as we can to get to the nice zero portion. We anticipate the majority of this water or this money going over to capital.

Councilmember Graham: Okay. It sounds like a slight risk but a managed risk. Mayor, if somebody has seconded the motion, I will.

Mayor Ortega: We did get a second. Thank you. This is a four-party agreement. It's with Scottsdale -- well, first of all, we start at the top. It's the Bureau of Reclamation and then the Arizona department of water resources and Mr. Buschatzke is the executive on that and then the CAP board and then ourselves.

[Time: 01:57:45]

So -- and we are all part or -- I attend as representing Scottsdale the AMWUA which is the Arizona municipal users water group and I encourage everyone to look at that and see what the dire situation has been and continues to be and how this group of ten cities who rely on -- on the CAP water and that's what we're talking about here.

The water that comes down the channel, how we cooperate, discuss, and fully vet and we don't sugar coat it. So it's pretty direct conversation. Okay. Please record your vote. Thank you. Okay. We have unanimous. With that, we are going to move on.

We have concluded the regular agenda items. And next, we will move on to public comment.

**PUBLIC COMMENT**

Public comment is an opportunity for members of the public to come forward on any non-agendized item. I'm hearing there is no requests for public comment. Therefore, I will close the second session of public comment.

**CITIZENS PETITIONS**

We are going to go on to the opportunity for citizen petition. Citizen petition is an opportunity outlined in our charter that allows citizens to come forward, regard something at the clerk and then we could take action. There is none. Therefore, that item is closed.

Next, we will move on to any -- actually, at this point, I would -- I think we are concluded. Therefore, I will ask for a motion and a second to adjourn the city council regular meeting.

Councilmember Graham: Motion.

Councilwoman Whitehead: Second.

Councilmember Durham: Second.

**ADJOURNMENT**

Mayor Ortega: We have a motion and a second. Please record your vote. Thank you. I want to point out that our council will move over to the executive conference room to continue our executive session meeting, which was recessed for this meeting. So we'll meet you inside as soon as possible. Thank you.