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CALL TO ORDER

[Time: 00:00:00]

Mayor Lane: We are running a little bit behind in spite of the efficiency of the Vice Mayor's meeting. So I don't know that -- I wouldn't be -- it would be fine to move into the next meeting. Anybody have any objection or need -- okay. Well then we will. Thank you for being here for the appointments process. And if you're here for that, you can certainly leave or spend more additional time with us this evening. But we will at this point start our regular meeting. It is May 12th still. It is approximately 5:15. And we will begin with a roll call.

ROLL CALL

[Time: 00:00:06]

City Clerk City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

City Clerk Carolyn Jagger: Vice Mayor Linda Milhaven.

Vice Mayor Milhaven: Here.

City Clerk Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

City Clerk Carolyn Jagger: Virginia Korte.

Councilmember Korte: Here.

City Clerk Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

City Clerk Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

City Clerk Carolyn Jagger: David Smith.

Councilman Smith: Present.

City Clerk Carolyn Jagger: City Manager Fritz Behring.

City Manager Fritz Behring: Here.

City Clerk Carolyn Jagger: City Attorney Bruce Washburn.

City Attorney Bruce Washburn: Here.

City Clerk Carolyn Jagger: City Treasurer Jeff Nichols.

City Treasurer Jeff Nichols: Here.

City Clerk Carolyn Jagger: City Auditor Sharron Walker.

City Auditor Sharron Walker: Here.

City Clerk Carolyn Jagger: And the Clerk is present.

[Time: 00:01:00]

Mayor Lane: Thank you. Thank you again. We'll have our additional members back from a slight break they needed. But in any case, we'll go through some of the orders of business which I think they have thoroughly memorized so they won't be missing anything there. If you would like to speak on any of the items on the agenda or for public comment, we have the white card the city clerk has to my right. On the other hand, if you would like to or would like to have written comments -- thank you very much. I don't know why that's missing. We'll go through these and do the pledge which is next anyway. But in any case, the yellow cards are for written comments for anything on the regular agenda. We'll be reading those through the course of the meeting. This afternoon or evening, we have Scottsdale police officers Tom Cleary and Jason Glenn here in front of me. If you have need of assistance from them. The

areas behind the council dais are reserved for council and staff. There are restrooms here to my immediate -- on the south end here that is to my left for your convenience if you have a need.

PLEDGE OF ALLEGIANCE

[Time: 00:02:16]

Mayor Lane: We'll start then with the pledge of allegiance and I would ask that Councilman Phillips lead us in the pledge.

Councilman Phillips: 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.

INVOCATION

[Time: 00:02:45]

Mayor Lane: The invocation this evening is from Pastor Brian McAnally from Scottsdale Bible Church. Pastor?

Pastor Brian McAnally: Welcome. Thank you very much. I appreciate the opportunity to be here with you. Please join me in an attitude of prayer. We thank you for this day, your word says this is the day that you have made and we will rejoice and be glad in it. We do rejoice that you have given us this day. And that you have placed us here at this time for this purpose. Lord, I thank you for our Mayor and for our city council. Lord, I pray for blessings upon each of them. God, I ask that you would lead and guide the conduct of the matters of interest tonight. Lord, I pray there would be a spirit of cooperation in the unity of purpose. Lord, I pray that together there would be a sense of vision for the well-being and the prosperity for all of Scottsdale. Lord, I ask for the blessing of wisdom that our city would be governed by justice, tempered by mercy and all of this would be representing the best interest of this population. God, tonight I pray for the speakers, I pray you give them clear thoughts and the right words to reflect the intent that compels them to speak. And God, I prayer their words would be heard and understood and considered. Please bless this meeting and may the decisions and consequences of tonight's business provide meaningful and tangible benefits to the city which is cared for and served. Amen.

MAYOR'S REPORT

[Time: 00:04:25]

Mayor Lane: Thank you, pastor. One item of report for tonight, I just wanted to say that last week, I had the pleasure of meeting young men and women of the Scottsdale Aquatics Swim Club. Their team recently won the junior national championship in Texas and the Arizona State championship and the sectional championship. This is the first time in the

club's 50-year history here in Scottsdale that they've won all three of the titles. I certainly would like to congratulate all of the swimmers, coaches and parents of the Scottsdale aquatics swim club on this outstanding achievement and keep up the great work. If we could give them a big hand.

PUBLIC COMMENT

[Time: 00:06:28]

Mayor Lane: Our next order of business is for public comment. It is reserved for citizen comments regarding non-agenda items with no official action to be taken on these items. Speakers are limited to three minutes each or a maximum of five speakers. There will be another opportunity at the end of the meeting if there is a request and call for that. We have three requests to speak for public comment. And pardon me I think this is Joshua Zaragoza. Is that correct?

Joshua Zaragoza: Mayor, members of council, I thank you for allowing me this time to speak to you on an agenda not on the agenda tonight. More than 70% of Arizonans do not have basic protections from discrimination at home or at work or in public places. This includes many number of residents and employees right here in Scottsdale. While I thank you for your decision to market the unity pledge as it is a great tool for promoting diversity, it is simply just a proclamation. We need real policy in Scottsdale that holds everyone accountable but also protects every taxpayer -- hardworking taxpayer -- doing their fair share that happen to be gay or transgender. No one deserves to be treated differently whether it is at work or public places or in housing because of who they love or whom they love. On March 31st, you heard from the business community asking for the nondiscrimination ordinance to be considered in the -- I know there are some of you on the council that suggested that this was overregulation or some laissez-faire philosophical belief this would, in fact, mess with the regulatory market and on the contrary, there's 91% of fortune 500 businesses that beg to differ. Of such a thing because they adopted these policies in their workplaces because they understand what it is to be fair and inclusive. What it is to treat everyone fairly, brings and retains and attracts top talent. I think Scottsdale would see the same benefits as well. You heard from residents about why nondiscrimination ordinance in Scottsdale is important. We thank the council member Korte and Vice Mayor Milhaven for understanding from business and faith to see at-large, that everyone is protected equally. Today, I brought with me 100 cards from people who live, work, have family or visit Scottsdale on a regular basis. And they want to help support and show that Scottsdale is open for business to everyone. By supporting a nondiscrimination ordinance. I ask you and urge you respectfully to please reconsider moving forward with the public outreach process for nondiscrimination ordinance in Scottsdale. Thank you for your time.

[Time: 00:09:43]

Mayor Lane: Thank you. Next is Dr. Scott Calev.

Scott Calev: Is our overhead working?

Mayor Lane: It can be.

Scott Calev: I don't know how to work it. I would need help. There we go. Great. I'm here tonight to talk about why the city of Scottsdale blacklists certain people. Why the city of Scottsdale denies certain people feedback. Years ago under Scott Gray of the city airport, many of us decided that there was a problem. We called. We went to meetings. The city -- the council at that time and I think there's only one remaining Mayor from that -- person from that period who just happens to be the Mayor -- decided a group of us would be blacklisted. But I didn't know about this until Gary about six months ago told me well, we're not supposed to return your calls. Because there's a file on you that says you were too outspoken. You brought to the attention of the city too many problems. 9:25 a.m. yesterday, pretty much above my home because my home is a focal point that Gray found out where planes come over, usually the smaller planes and jets. These planes almost hit. This isn't the first time. Would I call Gary? Absolutely not. He will not listen. The city council and the aviation board in Scottsdale set up a program of calling for noise complaints. But if a plane was too low, you had to call the FAA. But if a plane is too low, it is too noisy so you have to call the FAA. The program was set up to shut down the community. As a result of that, it has been very effective at shutting down the community and expanding the airport. If these planes hit, would some of the debris end up in my yard? Absolutely. Would some have ended up in the Mayor's yard? Absolutely. We live a couple of hundred yards from each other. This is unacceptable.

Blacklisting in this town is unacceptable and it is factual and maybe our city attorney would like to interview me one day to find out what happened and why. I come here a number of times and will continue to talk about the funnel of filth. I would like to congratulate one of the city workers who actually listened to a Scottsdale resident. One of our pollution centers is Scottsdale Road and Cactus. Rush hour, cars would sit almost a mile back going east on Cactus. I made a telephone call. Someone listened. They changed the light by seven seconds. The back-up is almost negligible now. Why did they do that? Because they don't know about blacklisting. They don't know about not listening to the community. I think this city council needs to take a very close look and I'll finish up by saying why do I know all of this stuff? Because ten years now I've been dealing with chronic disabilities and I'm always home. So I can always see from the airport to the traffic in the area what other people don't. And this city likes to make people like me quiet because they don't want to answer the questions. I thank you again and I'll see you shortly. Next month.

[Time: 00:14:14]

Mayor Lane: Thank you, Scott Calev. Excuse me. Next is Reverend Debra Peevey.

Reverend Debra Peevey: Good evening, Mr. Mayor and council members. I am the faith director -- my name is Debra Peevey, the faith director for One Community and we are very proud that you have decided that the unity pledge is something that you want to support fully. But I'm also here tonight to say that the unity pledge which is something that we are excited to be promoting all across the state of Arizona is not anything that's enforceable in law. So I rise tonight to talk to you and ask you also to reconsider bringing the public conversation toward

the possibility of accepting -- voting on an ordinance that would be fully inclusive of lesbian, gay, transgender people back on the table in Scottsdale. In the arena of work, being judged on performance and qualifications, nothing more and nothing less should be the standard. You all agreed to that because that is the standard for the city employees of Scottsdale. But it is not true more broadly in Scottsdale. And we need an LGBT nondiscrimination ordinance in Scottsdale to make this right. In the arena of housing, being treated fairly and non-judged for who you love is a standard to strive for but it is not yet the standard in Scottsdale. But if you passed an LGBT nondiscrimination ordinance, it would be made right. In the arena of public accommodations, all people should be treated equally which is why adding gender identity and gender expression will make things right in Scottsdale. Cities that support nondiscrimination maintain the truth that they are world-class cities which I know we all think that Scottsdale is in the great state of Arizona. Loving your neighbor as yourself is a standard that it seems to me everyone on the city council would want to support.

I represent many people of faith in Scottsdale who are eager to come and talk to you more about why they support this fully inclusive ordinance. And it's important to have people of faith speak out because it's often people of faith that we think make the loudest argument against an ordinance such as this but in Scottsdale, we have many, many faith leaders across a broad spectrum of ideologies who support a fully inclusive ordinance. So I do hope you'll consider bringing this back to a vote and a discussion in the town and a vote of your August body because it will keep Scottsdale the city much more in tune with the emerging reality of the world as we know it. Thank you very much.

MINUTES

[Time: 00:17:31]

Mayor Lane: Thank you, Reverend Peevey. That completes the public comment for this evening. At this point in time. Our next order of business is approval of the minutes. Still if there any questions on April 1 of 2015; if not, I would accept a motion to approve those minutes.

Councilwoman Littlefield: So moved.

Vice Mayor Milhaven: Second.

Mayor Lane: Motion made to approve and second it. All of those in favor, vote aye. Register your vote aye. It is unanimous approval of the minutes.

CONSENT AGENDA

Mayor Lane: Moving on to our consent items which are items 1 through 18. I did have a request by Councilman Phillips and others to pull items 5, 7 and 8. I would ask is that still the case? So from the consent items, we will pull items 5, 7, and 8. We'll get to those in the regular agenda items but at this point in time, I have no cards on any of the consent items and no comments or requests to speak from council members. So I would accept a motion to

approve the consent items 1-18 excepting 5, 7 and 8.

Vice Mayor Milhaven: So moved.

Councilwoman Klapp: Second.

Mayor Lane: Motion has been made and seconded. No further comment is seen. We're ready to vote on that motion on the consent items as was addressed. All of those in favor, please indicate by aye and register your vote. Councilman Smith? Just for the record, please? Thank you.

ITEM 5 – TEXT AMENDMENT TO REPEAL APPENDIX A – AIRPORT ZONING (4-TA-2015)

[Time: 00:19:24]

Mayor Lane: All right. We'll move right on to the regular agenda items. We'll start with item five. Text amendment to repeal Appendix A of the airport zoning had-TA-2015. We have –

Current Planning Director Tim Curtis: Thank you, Mayor. Members of council. I'm Tim Curtis with the planning department. I'm also here with Gary and Sarah from the airport to deal with this case. Item five on your agenda is a repeal of Appendix A which is airport zoning ordinance. Those regulations have been incorporated into Chapter 5 of the city code under aviation and that occurred last year. In 2012 Chapter 5 of the city code was updated to protect airport interests. It added additional regulations to guide development in the airport influence area. In 2014 last year, Chapter 5 incorporated those regulations in Appendix A. It updated the provisions pertaining to obstructions around the airport and so we're here tonight in 2015 to repeal Appendix A. It is antiquated. Again, those rules were relocated and updated and put in part of Chapter 5 of the city code last year.

Now, the repeal does not remove any citizen review process for zoning map amendments or zoning text amendments. Those all reside still in appendix B, the city's basic zoning ordinance. So this has no impact on any of that. The repeal is part of a multistep process and does have support from the Airport Advisory Commission as well as the Planning Commission for the public hearing process. Again, I'm here and happy to answer any questions and of course, the airport staff is here for any airport-related questions. Thank you, Mayor.

[Time: 00:21:37]

Mayor Lane: Thank you, Tim. We do have a couple of requests to speak on this. We might just go to that first and then we'll take questions from the council. Start with Jim Haxby.

Jim Haxby: Thanks, Mayor and council. I'm probably a Johnny-come-lately to this but I was the only person to show up to the public information session on this that didn't object.

Reason was because I hadn't had a chance to find anything. I couldn't find it on the web. The airport is an important asset to our community and I think we need strong zoning language to protect it. This last issue of the airpark news, we hired an ASU economic professor and he estimated that users of the airport amount to \$120,000 daily into our economy and the ripple effect is about 3400 jobs in the community. Up to \$5 million. Appendix A, antiquated language was in it. It protects the airport. It has strong wording. One of the things that it says in Appendix A and section one obstructions may reduce the size of the area available for landing, takeover and maneuvering of air traffic thus tending to destroy the municipality and the investment in the airpark. Obstructions are a public nuisance. That may injure the region and thus establishment of an obstruction be prevented. The wording in chapter five has been completely neutered in this. The next thing that goes on in Appendix A that's from a pilot's point of view is it talks about that you cannot make lights or make it difficult for a pilot to distinguish between airport lights and others while chapter five simply says that we will avoid confusion between airport lights and others. The big problem with this is a pilot is that you -- in adverse meteorological conditions, blowing dust, rain, lights cause a lot of glare. Appendix A addresses glare into the eyes of the pilot. We don't have that in chapter five.

The other thing, if you take like Las Vegas, put a driving range in, it is another non-precision approach runway which we don't have precision approaches. Until about 300 feet in the air, you couldn't see the end of the runway because of blowing dust because of the glare of the lights. So with the new aircraft having HUD or heads up guidance, you have a plastic shield you look through to land and you have instruments. When you get into glaring lights, it washes that out and you can't see. We've got an airport with no localizer or glide path information to the runway. Lights in the vicinity of the airport camouflage the airport. It is like putting a big screen in there because 10, 15 miles out at some degree of an angle, you can't tell what are airport lights and what are other lights throughout. I really think it was rushed through.

I may be Johnny-come-lately but I just saw the notice on open house and I went up there. Unfortunately, I was the only person. I feel bad about that from the aviation community. I think we should have had more pilots up there. I'm not sure where they were at but I would like to see this addressed before we get rid of Appendix A and address some of these issues from a pilot's point of view because the whole purpose of the airpark is to bring airplanes in and people to Scottsdale. Let's protect it. It is valuable. Thank you.

[Time: 00:26:00]

Mayor Lane: Thank you Mr. Haxby. Next is former Councilman Bob Littlefield.

Bob Littlefield: You know, it's ironic, later on in this agenda you'll be discussing the airport master plan. One of the things in that airport master plan is a section on how valuable Scottsdale airport is to the city. Economically. We've known for years Scottsdale airport is the only general aviation airport in the entire state that pays for itself. Requires no municipal subsidy because of the fees that it brings in. I know Grand Canyon airport is owned by the state. They've been trying to sell that thing for years. Nobody wants to buy it because it loses money.

Scottsdale airport brings in the richest 2% of the tourists who visit Scottsdale. If you go down there during any one of the big signature events, you'll see the line is filled with big jets. Those people come in, they spend money. They stay in our resorts. During the Super Bowl, the game was in Glendale. But because all of these very rich people could fly into Scottsdale, they were staying at our resorts. Everybody up here claims to believe that the airport is an asset to the city and an asset economically.

And yet this thing, which I notice didn't come from the aviation department -- I see it came out of planning and legal which doesn't surprise me. This thing is just another step in the continuing effort to threaten the viability of Scottsdale airport by allowing more high density development near the airport. I won't go over the -- Haxby did a great job of talking about the two most egregious examples. Basically, if you look at this, you have all sorts of protections that in chapter -- in Appendix A say "shall" and when they're moved into the new Chapter 5, they're well, "may." So you're taking hard and fast protections and you're replacing them with language that can only be described as squishy. I have heard in the various back and forth on the e-mails on this issue, oh, you know, that's really not a big deal. It is just the findings, just the language. I would ask this question, if it's not a big deal. If it's all just language, why not keep the prior hard and fast protective language and not substitute it with this squishy language which frankly will make it easier to develop near the airport in ways that will threaten the viability of the airport just like what is happening in Orange County and Santa Monica. This is a bad idea. If you really believe that Scottsdale airport is good economically for the city, you'll vote no on this.

[Time: 00:29:11]

Mayor Lane: Thank you, Mr. Littlefield. The extent of the comments requested to speak on this particular subject. I would then accept comments or questions from the council.
Councilman Phillips?

Councilman Phillips: Thank you, Mayor. The reason I pulled this is exactly the comments that we've been hearing. I think we've all been getting the e-mails, too. And just the recent comment of, you know, let's get rid of the antiquated Appendix A. Well, it was 2014. How antiquated can it be? Put it in and suddenly take it out begs the question why was it put in the first place?

I would be first the admit I'm not an airplane pilot. I'm no expert on airplanes or airports or regulation or anything. But there's something wrong with this. And whether we vote against it or we decide to move this ahead and get more public input, I think that's what we ought to do. One resident showed up. I don't think that's because nobody was interested. I think it is because nobody knew about it. I feel like this is being kind of pushed down our throats. We didn't get to talk about this before. Of course, it gets put into the consent agenda. So at this point, I'm going to be voting no against it but I would also consider pushing it forward to another date and getting more public outreach on this and so we can fully understand what's going on here. Former councilman Littlefield's comments about this allowing more heightened density around the airport is very concerning. And if that's the case, we cannot have that. So this really requires more conversation. Thank you.

[Time: 00:30:47]

Mayor Lane: Councilwoman Klapp?

Councilwoman Klapp: I have a question. I'm not a pilot either. On the Airport Advisory board, how many pilots are there and did they discuss any of this issue that Mr. Haxby brought up about the visibility?

Aviation Director Gary Mascaro: Councilman Phillips, Mayor, Councilwoman Klapp, it was to the commission, all seven members are pilots and they -- Mr. Haxby wasn't at the meeting. It was discussed and the commission as a whole voted 7-0 unanimous vote. Chapter five which we did institute in 2012 installed all of the updated provisions working with the aviation department as well as the planning and as well as the attorney's office. So with that, Councilwoman, we felt this is the phase two of cleaning up the outdated information and we waited a couple of years to do that basically.

[Time: 00:31:54]

Mayor Lane: Thank you, councilwoman. Councilwoman Littlefield?

Councilwoman Littlefield: Thank you, Mayor. I have a real problem with this. I look at the airport as a huge asset to Scottsdale. We have people coming in here all year long through our airport. We're international hub now. We have tourists come into all of our major events to the point where we're lined up nose to nose, nose to tail all the way up and down the airport with people coming here to spend their money and stay in our hotels and enjoy Scottsdale. We cannot allow our rules and regs to damage that asset.

I have a particular problem with Appendix A. Where it says in the current language the creation or establishment of a hazardous obstruction is a public nuisance. That's a legal term. And may injure the region served. It is necessary in the interest of the public health, public safety and general welfare that the creation or establishment of obstructions that are a hazard to air navigation be prevented. Not be allowed to occur. The new plan says they will make it clear how Scottsdale airport is our city -- is in our city's economy and we have already made it too easy -- that's not what I wanted to say. Scratch that part. It says it will avoid obstructions. Not prevent obstructions. And it may destroy or impair the airport's utility and public investment therein. I would be worried about that.

I'm also concerned about the issue of public input. I know many of us up here -- in fact, I would guess all of us up here -- have received many, many e-mails regarding the airport issues on the agenda tonight. And the fact that only one resident showed up to a public outreach on either of these items is kind of surprising to me because I know from the past 12 and a half years, people are extremely concerned and very interested in this airport. And they have very strong concerns and very strong feelings about it. That no one showed up to me, shows it was inadequately advertised or announced to the public. I think we need to go back and do that again and make sure we have people who know about the meeting and come to the

meeting and discuss what the results of this would be. Thank you.

[Time: 00:34:30]

Mayor Lane: Thank you, councilwoman. You know, personally, I think we've got a situation where my understanding was -- and I think a lot of people on this council -- their understanding was this was more or less a consolidation of the same terms within the airport ordinance versus our planning ordinance. What I'm hearing and frankly, I'm wondering about is that that's not really the case. It was not just a transfer to consolidate, to have make sure we had total consistency on what was being said on both sides and we didn't have redundancy of it. One of the things I requested and I did not get and that was a side-by-side comparison of what we were eliminating versus what we were adding to the ordinance. The planning ordinance. So I'm a little concerned myself with regard to what may have been happening here.

I haven't had that opportunity to be able to actually take the time to find both of them and compare what was replaced with what was -- I don't know, that it was added. The same provisions within each, the airport and also the planning ordinance, that they essentially say and provide the same kind of safety and guidance with regard to our airport. So I'm concerned that I don't have that. We haven't been able -- I haven't been able to look at that. And now the concern is that we've got some significant weakening or maybe even the absence of some provisions that some people see are important.

I was frankly relying a great deal on the Airport Advisory Commission and their judgment on this. Even as it relates to pilot concerns as well as citizens and their concerns. When Jim said something about the fact that there is actually a safety issue that was addressed and no longer is addressed, that does cause me a bit of concern. Now, I know that Jim frankly is very close to the airport as I am and as is Scott. So we're all in wonderment a little bit about some of these provisions as they may affect not only our immediate neighborhood but frankly the entire airport.

One thing I would sort of like to dismiss there isn't a person on this council that doesn't believe in the value and know the value of the airport. Absolutely. If there is a difference of opinion sometimes as to exactly how that asset is maintained, evolved and protected, that's another thing altogether but that's not an arguable point. I'm concerned myself as to whether or not we really have had an evaluation of the terms as they shifted from one to the other. And the elimination of them. I'm concerned about that and we do have a couple more comments that I think will be made.

I wish I could pose it as a question. Gary, maybe you're the one to ask about this. Councilwoman Klapp asked if there were people on the Airport Advisory Commission who are pilots. But I guess I would go a little bit of a step further and just ask this... Was there conversation about any change, the elimination of provisions or a change in language among the Airport Advisory Commission?

Aviation Director Gary Mascaro: Mayor, members of the council, for this particular repeal process, Appendix A, there was very limited discussion by the commission because the

significant discussion occurred when we implemented the Chapter 5 changes which basically took out a lot of the data from the Appendix A and added a whole bunch of new data and quote-unquote protections. Including the zoning map and such because those are all not codified. So during the 2012 timeframe, that's when a lot of the discussions had -- this time again the position was the cleanup. We didn't go word for word comparison per se. They felt confident from my perspective on what the language was put into the new chapter 5, that it is not removing protections from the airport's perspective if we reveal the zoning code that's active today.

[Time: 00:39:13]

Mayor Lane: Maybe this is directed to Tim. What was the Planning Commission's observations on any of this? In both cases, it was unanimous to accept this change, was it not? Both planning and airport advisory?

Current Planning Director Tim Curtis: Mr. Mayor, the Planning Commission obviously looked at the repeal, Appendix A, understood the Airport Advisory Commission supported the repeal. And also felt a great deal of comfort with the zoning ordinance with regard to the regulations and controls that are incorporated within Appendix B to protect the airport.

Mayor Lane: In both instances, there was some commentary with regard to the added provisions? Gary and Tim as to what was being added? As far as additional protections and/or safety issues? Frankly, I'm not here to judge where the line is drawn but were there conversations on that?

Current Planning Director Tim Curtis: Mr. Mayor, members of the council, the Planning Commission didn't have a lot of comment regarding that because this was a simple repeal. But they were involved with the previous Chapter 5 amendments dealing with development around the airport.

Mayor Lane: I see. The repeal is replaced by those new -- the very items in Chapter 5 that they worked on.

Current Planning Director Tim Curtis: Correct, Mr. Mayor.

Mayor Lane: Okay. I don't know exactly what period of time that took place but there's an awareness on the Planning Commission of that shift. And of the origins of those changes for chapter five.

Current Planning Director Tim Curtis: That's correct.

Mayor Lane: Okay. Thank you. Councilman Smith?

[Time: 00:41:04]

Councilman Smith: Thank you, Mayor. Actually I'm hearing some things that are troubling

because when you talk to or when I hear people talk about we're protecting the airport, that's certainly one objective. The other equally objective is to protect the residents around the airport. And whether we had a group of seven pilots looking at this is useful and instructive, it would also be useful and instructive to have seven neighbors looking at it and opining on it. I think that's the nature of some of the e-mails that I and others have gotten up here from people who feel like, right or wrong, they feel disenfranchised from having a voice in what goes on in the greater neighborhood that they're part of. Subtle changes like going from "shall" to "may" can have important implications in the later implement agency of it.

I would certainly like to have seen the same side-by-side comparison that the Mayor asked for. And given the ambiguity or uncertainty or concerns that people have about this, my recommendation, whether it is a motion or not is that we delay this item in two important respects. I would repost the public comment and give the folks a chance to come and speak their peace if they missed the first meeting for any reason at all. Second, I think all of us would like to see now a side-by-side comparison of what we're voting for. Versus what we had. So I don't know whether that's a motion to delay this or ask you to pull it or what it is but that's my preference, Mayor. Thank you.

Mayor Lane: Councilman, if you choose to, you can make that motion in that vein.

Councilman Smith: I can make a motion in that vein?

Mayor Lane: You asked whether there was a motion or not. Yes, it can be. It is your choice.

[Time: 00:43:46]

Councilman Smith: Let's see if we can do it then. I will make a motion that the request to adopt Ordinance Number 4204 be deferred to a future date pending the airport reposting neighborhood outreach and providing the council and the public with some kind of a comparison of Chapter 5 versus Appendix A.

Councilman Phillips: Second.

Mayor Lane: Motion has been made and seconded by Councilman Phillips.

Councilman Phillips: With all due respect, you know, the approval of the planning department seems kind of counterintuitive to the airport. I'm not sure that's a good thing. I agree with Councilman Smith's analysis of this. I think that's the best way to go about it and make sure the residents, pilots and businesses around the airpark really understand what's going on here. Thank you.

Mayor Lane: Thank you, councilman. If there's any further comment on this, seeing none. I'm sorry. Mr. Washburn?

City Attorney Bruce Washburn: Can I have one minute before you vote?

Mayor Lane: Certainly.

City Attorney Bruce Washburn: I'm just inquiring if there is a point to do this to a date certain or if the process will take too long. We'll have to re-notice it anyway. Sorry for the interruption. There's no reason to do it to a date certain.

Mayor Lane: All right, fine. With that covered. Then we're ready to vote since there is no further comment. Those in favor of the motion to continue this to an unknown date but nevertheless forward with those stipulations as indicated, please register by aye or by nay. Motion passes 6-1 with Vice Mayor Milhaven opposing it. Thank you for your input on that. And staff, for the input on that.

ITEM 7 – STREET AND DRIVEWAY IMPROVEMENTS INTERGOVERNMENTAL AGREEMENT

[Time: 00:45:29]

Mayor Lane: We'll move to next item that was on consent and is now in our regular agenda which is item 7. Street and driveway improvements intergovernmental agreement. This is Mr. Worth's area to give us.

Public Works Director Dan Worth: Good evening, Mayor and council. If I could have the Elmo. I have a graphic I would like to show. This request is a request to approve an intergovernmental agreement with Scottsdale Unified School District and a budget transfer of the combined effect of the two would be to accept funding from the school district to help pay for a portion of a project that we have in our CIP to build a multi-use path and street improvements on and between 124th Street and 128th Street. You can see from the graphic, 124th Street on the west side of the graphic, 128th Street on the east side of the graphic. The Preserve to the north. You can see in the upper left of the graphic. It is actually the parking for the trail heads and the Preserve.

The project -- the entire project is to build a path connection between 124th and 128th and to make some improvements on both 124th and 128th streets. The area outlined in red is the subject of this specific action. This action doesn't do anything with regard to the path which ultimately is intended to be placed in or along the Cactus Road alignment between 124th and 128th. This project or this portion of the project -- to give you a close-up view -- is intended to enhance traffic around Anasazi elementary school to the benefit of the school and to the neighbors. Currently the traffic pattern around that school is very difficult because there's one way in, one way out. It is a dead end, essentially. We have people dropping off students and turning around the intersection where you see a proposed round about is a stop sign control and there's long waits at that intersection. The intent of these improvements would be to create a looped drive to allow traffic to come off of 124th Street, go through the parking lot, drop off their students and then come out in a one-way flow pattern into the roundabout and then the roundabout itself will reduce travel time through that intersection and make it better for the people going to the school and for the residents nearby.

The terms of the intergovernmental agreement is simple. Scottsdale Unified School District pays \$350,000 toward the cost of the improvements. That number is approximately the cost of the improvements to the parking area on school district property plus approximately a quarter of the cost of the 124th Street improvements. Actual cost is not yet determined. We're negotiating a contract to do the work. But we're confident that that number represents a good approximation of what this school district's share is going to be. And with that, I would be happy to entertain any questions.

[Time: 00:49:20]

Mayor Lane: Thank you, Mr. Worth. We'll start with Councilmember Korte.

Councilmember Korte: Thank you, Mayor. Mr. Worth, can you give me some history how a school site can be located at a dead end, one way street? There has to be some history here.

Public Works Director Dan Worth: Mayor, Councilmember Korte, I'm going to give you some conjecture. I believe the school was sited before the land to the north was dedicated to the Preserve. The Cactus Road alignment was for a subdivision which would have gone in. The development will not happen. 124th Street ends at the Preserve now. Was not always intended to do that. There was going to be more of a traffic network around that area but now because of our decision to create the Preserve, there won't be.

Councilmember Korte: So are you saying that Cactus Road had originally planned to extend from 124th to 128th and also heading west or through what is now –

Public Works Director Dan Worth: I would just be guessing if I told you what the original intent would be. A portion of Cactus Road has been built. To the -- I think it is about the first 600 feet to the west of 128th Street. It is difficult to see in the previous graphic I showed you. That segment about where the Cactus Road label is has actually been paved and is used for access into the Sonoran Heights subdivision. The intent when that subdivision was built was that there was going to be a Cactus Road. That's no longer the intent.

Councilmember Korte: What are the plans between the project location and 128th Street in the future?

Public Works Director Dan Worth: Outside of the red outline, the transportation department is continuing to develop the ultimate plan for that path and that alignment. We've got several issues meeting the concerns of residents in the subdivisions to the south, the concerns and the restrictions associated with the Preserve to the north. It is fairly complex issue. But we're continuing to work through the process to include public outreach as we develop the ultimate alignment and the ultimate configuration for that path.

Councilmember Korte: How would you describe that path?

Public Works Director Dan Worth: A multi-use path. It will be paved.

Councilmember Korte: So non-motorized vehicle?

Public Works Director Dan Worth: Non-motorized is the intent.

Councilmember Korte: Thank you.

[Time: 00:52:15]

Mayor Lane: Councilman Phillips?

Councilman Phillips: Thank you, Mayor. I think all of the council got the letter about this. And his question number two, build a new cement path fill in the Sonoran Preserve in the eastern zone and western zone, no cement trails. Is it cement or asphalt or what is it?

Public Works Director Dan Worth: The project under consideration here only builds a sidewalk associated with the loop road -- there is a sidewalk on the north side of that. The road itself is on school district property. The sidewalk is on Preserve property. That has already been presented to the Preserve commission. And they concur with that use. There is an agreement with the school district for this parking lot, to serve as overflow parking so the sidewalk actually acts as a connection to allow people to park when it is used for overflow Preserve parking and then to make it up to the trail head.

Councilman Phillips: Is the sidewalk on the north side of that road?

Public Works Director Dan Worth: There is a sidewalk on the north side of the road.

Councilman Phillips: That is contrary to their policy. That's a question why they would approve something like that. You can see why but still, because of their -- you can't do that. Number three path divided to be ten foot wide and the documentation versus eight foot in the Power Point presentation.

Public Works Director Dan Worth: Councilman Phillips, I can't talk to any of the details in that. I believe it is referring to project documentation presented at DRB. And I don't have that readily available.

Councilman Phillips: This is the project area. Cactus Road which is basically a dirt trail right now. I know the residents who live there. This gentleman is concerned about that because you're going to continue to make a path and everybody's going to go that way. That's going to really invade on their privacy. Most of those people there have an iron fence. You can see through because they want to see the Preserve. If it becomes a little busy thoroughfare for people all the time, it won't be a good thing. It says here on number six, open house, public feedback was not presented to the DRB and the McDowell Sonoran Preserve Commission. Do you know about that?

Public Works Director Dan Worth: I do know public feedback was included in the DRB staff report. I have read through that. There were comments from several neighbors that were

included in that package.

Councilman Phillips: Number eight, cannot eliminate Cactus Road between 127th and 128th as use for entrance to the Sonoran Heights community. They paid \$1500 for the new access gate system for the Scottsdale fire department. I remember that. I think he's talking about what's going to be in the future with the Cactus thing. That's what everybody is really worried about. Once we do this, what's going to happen to that Cactus Road? I think it should stay a dirt trail. I don't think we should make any kind of improvements that will infringe on the property owners. So I don't know what kind of security we can give to these residents but by going along with this, it just sounds like we're going to do whatever we want and to hell with them. I think the residents once again are worried about it. I don't think they've had enough public outreach. They don't understand the process. I think this needs more public input again.

Councilman Phillips: This time, I'll make the motion to table this until we can get more public outreach from the residents in the area who know how it is going to happen and how it is going to impact them.

Mayor Lane: A motion has been made to delay this item.

Councilwoman Littlefield: I second that.

[Time: 00:56:33]

Mayor Lane: We have a motion and a second to table that item. I have a couple of questions that may be for further clarification for myself and maybe the issues at hand. Mr. Worth, I thought you I heard you say the roadway you're talking about is part of this solution to this environmental dilemma we have with a back-up on 124th Street with students dropped off and pick up is school district property.

Public Works Director Dan Worth: Mayor, that's correct. The roadway is along the northern edge of the school district property. The roadway itself is entirely on school district property.

Mayor Lane: Is there any reason to absolutely have a concrete sidewalk adjacent to it?

Public Works Director Dan Worth: I would suspect that we could build this without the sidewalk if that were an issue.

Mayor Lane: I'm frankly not necessarily saying that that's the major obstacle but if, in fact, there is a provision within the code for the Preserve, that you don't have it, I know we have some sidewalks in the Preserve so I can't imagine that it is absolutely forbidden but if it would reduce the cost, I'm wondering what purpose the sidewalk would necessarily serve versus just natural -- just natural granite or decomposing granite or something.

Public Works Director Dan Worth: I think Mr. Basha would like to respond to that.

Transportation Director Paul Basha: Thank you, members of the council. The topic before this evening as Mr. Worth explained is only this parking area and the intergovernmental agreement with the school. It is only the concrete path that connects the parking for the school to the Lost Dog Wash trail head. Yes, we are in conversations with the neighborhood to the south regarding a multi-use path that would connect this parking area to 128th Street. We have not made any decisions on that yet. At least no decisions on the alignment. We do wish to have a concrete multi-use path as a substitute for the sidewalk that would have been there had Cactus Road been constructed. I met with him before the council meeting and he and I have agreed to meet as quickly as possible to discuss the alignment issues relative to the multi-use path and we hope to develop some sort of a compromise and some sort of a solution pertaining to protecting the privacy of those homes and finding the exact alignment of that multi-use path. Mr. Mayor, if I may, the agreement we have with the Scottsdale Unified School District is to construct that parking area and sidewalk this summer. We request that the city council approve the intergovernmental agreement so that we can construct this parking area in circulation this summer prior to the beginning of school.

[Time: 00:59:54]

Mayor Lane: Before you go further on that, I understand the request here and maybe even to the point of timing. I'm not even saying that I necessarily think that the sidewalk is -- if it something that works into the program -- I didn't realize it was a privacy issue. I thought it was in compliance with the Preserve code or ordinance. So if it's not a problem of an ordinance issue, then is a matter of the citizens with a privacy issue. I heard Councilman Phillips talk about the fact of being concerned about a breach in code or compliance with it that might set an improper precedent and where would it go from there? I don't want to get into all of that too very much except if that's the case, if those things are a threat for some reason or other, to either the ordinance or to privacy and/or to setting some sort of precedent of breach on this, whether we needed the sidewalk. What I understood -- Mr. Worth, please tell me -- is this Cactus Road, is it considered the parking lot? Where you're talking about paving on the north side of the school, is that considered a parking lot or is it a roadway in the right-of-way? Parking lot on school district property?

Public Works Director Dan Worth: Mayor, the north side, it is parking.

Mayor Lane: Okay.

Public Works Director Dan Worth: The roadway is access that's part of the parking. It is not a public roadway. It is not a part of Cactus Road.

Mayor Lane: As far as precedence is concerned, we're not talking about working within the right-of-way or Cactus Road. I'm presuming that right-of-way was abandoned to the school district?

Public Works Director Dan Worth: Mayor, I'm not sure exactly what the chain of title was but it is no longer right-of-way.

Mayor Lane: It is not a roadway. Thank you for that clarification. We were talking about a parking lot on school property. I don't know where the sidewalk fits in. The solution we're looking for is in part how do we best facilitate without creating some kind of gridlock around this area of 124th Street and that round about at certain times of day just creating pollution and back up and inconvenience for everybody. Versus a sidewalk. Is that not a good summary? I've got to know –

Public Works Director Dan Worth: Mayor, I want to be sure when we're talking about sidewalk, we're all understanding what we're talking about. There is a sidewalk adjacent to this paved driveway access. That's not the multi-use path that's been under a lot of concern and questions by the neighbors in Sonoran Heights HOA. That's to the east between here and the 128th Street. This sidewalk has not really been a subject of any kind of concern. We've got a process with the Preserve. We've gone through that process. There's no objections to that. And that's really an integral part of the parking and street improvement project, not the rest of the multi-use path project.

Mayor Lane: I'm not a fan of trying to be educated from the dais here. I appreciate what you're saying because it is helpful to me and maybe to the audience on this. If you're saying from that little U-shaped turn into the parking lot, that access road, the concrete piece of concrete multi-use pathway you're talking about goes all the way to the east to join up with the road that's on the other side.

Public Works Director Dan Worth: Mayor, that's correct. That's the intent.

Mayor Lane: Right-of-way or on Preserve land?

Public Works Director Dan Worth: It is not determined. We are still working the alignment.

Mayor Lane: All right. Okay. So that's not even a topic for right now. Good. Okay. That helps me a lot. I think there is a solution here as far as the very basic issues of not only parking but access to the school and gridlock when that occurs when you've got certain times of day. We've been talking about with the EQAB board with regard to idling cars sitting in the lanes and its effect. It is an answer for a lot of things. Thank you for that further explanation on it. Councilwoman Klapp?

[Time: 01:04:35]

Councilwoman Klapp: Thank you. The explanation helped. I just had my name on the list particularly for the reason that we are not here to discuss tonight the multi-use path. That's something that will come back to the council later for our approval. Today, I believe what you're saying is we're just approving the parking lot and the traffic pattern plan to get to the north side of Anasazi School and for the school only. That's what this is about. So I don't have any problem with the plan that you've presented tonight because I know the bone of contention and the problem is the multi-use path and I think there's confusion that was going to be part of the vote tonight by some people. Thank you.

[Time: 01:05:27]

Mayor Lane: Thank you, councilwoman. Councilwoman Littlefield.

Councilwoman Littlefield: Thank you, Mayor. I have no problem with doing the parking lot with the school and the roundabout looks like it is single lane each way on the street so there won't be a problem with shifting lanes in heavy traffic with kids wandering around. I have no problem with that. I have no problem with doing the parking lot and the roadway so that we can avoid the traffic jams. But as long as this isn't used later as a defense to move forward. The next project needs to stand on its own regardless of what we do with this tonight. Thank you.

Mayor Lane: Are you withdrawing your second then on the continuation?

Councilwoman Littlefield: No.

Mayor Lane: All right. Okay. Very good. Well no, I just wanted to make sure. It sounded like you were more settled in it. Councilmember Korte?

Councilmember Korte: Call for the question.

Mayor Lane: Question has been called. Is there a second call for the question?

Vice Mayor Milhaven: Second.

Mayor Lane: Okay. Well then there is one element on the table right now. And that is Councilman Phillips, could you repeat your motion?

Councilman Phillips: The motion was to table this until we can have more public outreach and the residents understand exactly what's happening and how it is going to affect them.

Mayor Lane: Mr. Washburn?

City Attorney Bruce Washburn: Mayor, putting on my hyper technical parliamentarian hat -- usually a motion to table means to suspend consideration of one matter while another matter is being considered. Then the matter is taken off the table when the intervening matter has been considered. I'm wondering if it is a -- if the correct term is a motion to continue the matter.

Councilman Phillips: Motion to continue.

Mayor Lane: Second agrees with it. Thank you very much Mr. Washburn for that clarification. We do then have that motion on the table. Seeing no further comment, all of those in favor of the motion, say aye, opposed with a nay and register your vote. Motion fails 5-2 with Councilwoman Littlefield and Councilman Phillips for it. So we can clear that then. We have a request. Councilwoman Klapp?

[Time: 01:07:58]

Councilwoman Klapp: Move to adopt Resolution 10112.

Vice Mayor Milhaven: Second.

Mayor Lane: Motion has been made and second. Councilman Phillips?

Councilman Phillips: Thank you, Mayor. Mayor you brought this up and it is true. They're putting a concrete sidewalk. He said we don't have to. It would be on the Preserve. Once this is done, people are going to be on 128th Street and want to go all the way down to get to the school because now they have access to it that way. Right now, they don't have access that way. This is going to allow the access. I think this is going to cause a big problem. That's why I brought that up in the first place. Thank you.

Mayor Lane: Vice Mayor Milhaven.

Vice Mayor Milhaven: This does not connect to 128th Street.

Public Works Director Dan Worth: That's correct.

Vice Mayor Milhaven: Thank you.

Mayor Lane: Councilman Phillips?

Councilman Phillips: The project you're doing right now does not connect to 128th Street. However, the dirt road is there and once this is done, people can go up 128th Street on that side and go to the school that way. They won't have to go down Alma School and go up 124th. It is pretty obvious. So that's what's going to be happening until the city can make it become a multi-use path or whatever they want to do. But this is what the residents are worried about.

Mayor Lane: Thank you, councilman. Seeing that we have no further comment. We do have a motion on the table. All of those in favor, aye. Opposed, nay and register your vote. Motion passes 5-2 with Councilwoman Littlefield and Councilman Phillips opposing. Mr. Worth thanks very much for all of your explanation. I appreciate the clarification. For all of our benefit.

ITEM 8 – TRANSIT PARCEL REAL ESTATE AGREEMENT

[Time: 01:10:06]

Mayor Lane: Okay. That moves us on to the next item within the regular agenda. The now regular agenda. That's item 8. The transit parcel real estate agreement. Mr. Worth as you stand steadfast, you have this one to cover as well.

Public Works Director Dan Worth: Good evening again, Mayor and members of the council. The proposal in front of you and this item is a proposal to sell a 2.5 acre parcel owned by the city. The prospective buyer is the owner and developer of the shopping center that the parcel is surrounded by. Location is southwest corner of Bell Road and Thompson Peak Parkway. The city acquired the parcel. You can see the parcel in the graphic outlined in red. The city acquired the parcel by dedication in 2000. The developer, to comply with the development agreement with the city, dedicated this parcel for use as a future transit center. It is deed restricted. It can only be used for a transit center. The deed restriction is to the benefit of the owner developer of the shopping center so if the deed restriction were to be removed, it would have to be removed with the consent of the owner of adjacent shopping center parcel.

The value we're proposing for the sale is \$750,000. That's the appraised value. That was determined by an appraisal. It was ordered by the prospective buyer. We did not order an appraisal from the city. We reviewed the appraisal that was provided to us from the buyer. We feel that the appraisal is reasonable. And that any benefit that we would have gained by appraising it and potentially coming up with a higher value would have been outweighed by the fact that the deed restriction is in place and if we were to attempt to sell this parcel for an unrestricted use, it would cost us to get the deed restriction removed. So it is easier to just skip that step, sell it for what it appears to be, market value to the adjacent property owner. And allow, of course the deed restriction to remain in place.

And the one piece I didn't mention was dedicated in 2000 for use as a transit center. The transportation department has determined that it is no longer needed for that purpose. So it is -- we don't intend to put a transit center there and it would cost us something to put any other use there if we were to retain the parcel. We would have to negotiate and compensate for the removal of the deed restriction. So with that, I will answer any questions that you may have.

[Time: 01:13:19]

Mayor Lane: Thank you very much Mr. Worth. We'll start with Councilman Smith.

Councilman Smith: Thank you, Mayor. I know from the council report, the public notice as well that the city code that you're doing this sale under is section 2-221-B5 which is an odd little section of the code that does allow the city to sell properties to adjacent property owners. When the city manager determines that it is in the public interest to do so. Taking into consideration a lot of things including value of the property. I have a lot of problems with this part of the code and what we do with it. Period. Because I think this was a part of the code that was written for convenience sales of small easements and properties alongside property owners, home sites, whatever. Where the cost of the appraisal and negotiated sale and auction and everything else might have negated the value realized. But we have seen this section invoked many, many times and in a way that prohibits the public really knowing that this is, in fact, the best realizable price for the transaction. This particular transaction is unique because it does have a deed restriction. I assume Mr. Washburn, you did not sign this council report. I assume you or your staff have read the lease and opined that this deed restriction cannot be gotten around in any way, would that be a true statement?

City Attorney Bruce Washburn: That's correct. As far as we know, the deed restriction is valid.

Councilman Smith: The things that are troubling about this, to me anyway, even as you said, Mr. Worth, we thought that negotiating another use for this would be prohibitively expensive. I don't know how you came to that conclusion. If you wanted to turn it into a pocket park or whatever, I don't know whether you would have had success in negotiating away this deed restriction. In fact, I don't know whether you would have had success in negotiating away the deed restriction if you just wanted to sell the property so maybe I should ask you whether you ever approached the owner to get a price of what he would charge to relinquish the deed restriction rights.

Public Works Director Dan Worth: Mayor, Councilman Smith, we had a brief discussion with the owner. They weren't interested.

Mayor Lane: I'm sorry about that. What was that?

Public Works Director Dan Worth: We had a brief discussion with the owner about the possibility of negotiating a price to release the deed restriction and they did not indicate they were interested in doing that.

Councilman Smith: The other thing that's troubling on this is that -- the council report says that you relied on an appraisal done March 15 or something like that. It is only tonight you've disclosed this was actually an appraisal done by the buyer. And I just don't know how I've never heard of selling a piece of property to someone based on them coming to us with an appraised value. And us, I guess deciding that that was a fair number. You know, for the people watching, if they see this map on the screen, it is 2.5 acres at the corner of Bell Road and Thompson Park. Real estate doesn't get much better than that. I have no idea whether the \$750,000 is the right number. But I do know that I am uncomfortable that we have done all of the negotiating strategizing -- whatever is involved in making sure that we have gotten the best value for the public in this property. That's the reason I ask the item to be pulled. Probably the same reason other people asked. Frankly at some future council meeting, I think we should take a good, hard look at section 2-221-B5 and put a dollar limit on it. We should not be selling properties under this escape provision unless they are what I would call a diminimus value of \$100,000 or something like that, in my opinion. Thank you, Mayor.

[Time: 01:18:11]

Mayor Lane: Thank you councilman. We have one card for some public testimony. So I'm going to go ahead and insert that in before we have further conversation on this. Stand by, please, Mr. Worth. In any case, Mr. John Washington.

John Washington: Councilman Smith, as much as it pains me to say this, you saved me about a minute's worth of my discussion. I appreciate your perspective on this. You have a nice diagram here from Mr. Worth. I'm going to throw this up there. This is off the county assessor's website and I've added a little bit of text to show you the parcel in question is this

004P. And 988 is on the corner. 987 is just below that. This is the county assessor's designation for the parcels. This is not out in the middle of the desert. As you said, Councilman Smith, this is pretty prime property. Right next to Bashas', right next to a Subway. I'm not sure what this Planet Ocean is but it sounds like a pretty nice place. And you know, there is a lot of nice housing up in this area.

I thought when I read this item that it sounded like it was a little bit cheap to me. So I'm not a professional appraiser. But I have bought and sold a few things in my time, not that the dollar value but it sounded cheap to me. I did more digging on it. I want to show you this to illustrate what we're talking about here. This is Bashas', Subway. The parcel we're talking about is right here. It is bare land here with scrub on it but there's parking at the southern tip of that. I'll get back to that in a minute. The southern most people has chase bank on it. The parcel of the corner is bare except for scrub. I did a little bit more digging on the county assessor's website and Brian, you might have to zoom in on that a little bit. What I've got labeled here is the three parcels that are on the corner. About 2.5 acres. I've got this under a column titled full cash value price. This is not the FCV on that parcel. This is what we're proposing to sell it for. The price per acre works out to be about \$300,000. I'm not a CPA. I'm not a CFO but I can do basic math pretty well. Most of the time. And when you look at these other two parcels and you look at the size of the parcels and what the assessor says they're worth, they come to magically about the same which is about \$1 million an acre. It looks to me like we're selling this parcel of land a lot cheaper than what it is worth and you know, I've had a lot of problems with this ordinance in the past you reference, Councilman Smith. I have a number of questions here. I don't have time to get into them. We ought to re-examine that. I'll even come forward with a citizen petition to redo that. That's something I've been wanting to do for a long time. I would like to see that happen. I think we ought to squash this one and go back and look at it again. Thank you.

[Time: 01:21:51]

Mayor Lane: Thank you, Mr. Washington. That does complete the public comments and testimony. We'll come back to the council members with the questions or comments starting with Councilman Phillips.

Councilman Phillips: Thank you, Mayor. Again, councilman Smith stole my thunder, too. I appreciate it. He obviously knows more about it than I do. Obviously we need to get back on that because if that's the root of the evil, we've got to do something about it. The reason I pulled it and other people as well but the reason I pulled it was the same reason. I feel like the land is worth twice as much as we're selling it for. Scottsdale is in the habit of buying high and selling low. I'm tired of it. It is a perfect spot for an Applebee's. I think \$1.5 million is more than adequate. The one on the corner is probably in the future sitting there waiting for a gas station or something like that. This is prime property. And you know, just a couple of weeks have gone by. We've given away land and frankly, I'm tired of it. There is no way I would be voting for this.

In fact, this is number eight. I move that we do not adopt Resolution Number 10126.

Mayor Lane: Motions made to deny the adoption of this item.

Councilman Smith: Second.

Mayor Lane: Seconded by Councilman Smith. Would you like to speak toward it? Okay. We do have some further comments on it. Councilwoman Littlefield?

[Time: 01:23:21]

Councilwoman Littlefield: Thank you. I, too, agree with Councilman Smith. He said many of the things I was going to say about this. I don't know about the rest of you but I would not sell a piece of land that I owned without an appraisal on my behalf to see what the value is. To me, that's just prudent. It is customary. And I don't care if it is easier not to do it. I would do it anyway even if it is a little bit stressful. It gives you the satisfaction of knowing that your price is correct. If it isn't correct, you can adjust it. I think that the citizens would expect that of our council to make -- that we had an accurate appraisal of what the land is worth before we agreed to sell it. I would go along with that. I believe Councilman Smith said many of the things I would have said. I also agree we need to take a look at the 221B5 or whatever. I will not be supporting this.

[Time: 01:24:41]

Mayor Lane: Vice Mayor Milhaven.

Vice Mayor Milhaven: Thank you, Mayor. Well, the comments of my colleagues may seem to make sense but I have 30 years of experience in commercial lending and commercial real estate. With the deed restriction on this parcel, the market value is zero. We cannot build an Applebee's on this plot. The only thing we can do is to build a transit center. Nobody wants to build a transit center there. There's no practical use for this property. For us to get the deed restriction released, we would have to go to the shopping center owner. What do you imagine the shopping center owner would say if we asked him to release the deed restriction? He would tell us how much we would want to pay him to release the deed restriction. So it would cost us money. Probably the equivalent of what the value would be for the property without the deed restriction.

So at the end of the day, the only person to whom this property has value is the shopping center owner. So for us to approach the shopping center owner, pay him the price for what would take it up to market value would cost us money, it wouldn't make us money. So the real value of the property is what a willing seller and a capable buyer is willing to pay. There is no market for this pad beyond the shopping center owner. And so whatever we agree on and I think that this is a pretty reasonable -- we look at it -- I was doing the math. It is about \$7 a foot for this property which is entirely reasonable in my opinion given the deed restrictions and the fact there is no use for this property now.

Also, you know, we're in the business of selling assets in order to pay for our capital. I don't see that it makes any sense whatsoever for us to be investing in this property. I think it

makes all of the sense in the world to get the cash out of it. Thank you.

[01:26:45]

Mayor Lane: Thank you, Vice Mayor. I agree with the Vice Mayor. There are some things we need to consider. Maybe a bit further but there isn't doubt, 100% agreement toward what the restrictions are on the property, what it does to the valuation of this. It is an entirely different thing for us to hold it and sell it and have someone else go through the same process and a point that was made as well, given the fact that the property owner for the rest of the shopping center has frankly has got the say so whether it has changed or not has put she or he into the play. Releasing capital is another big positive as far as the sale of this is concerned but another one is frankly getting it back on the tax rolls which we don't seem to think too very much about but that's an added component for the city that no one else shares.

But that being said, I, too, have a bit of a concern as to how we have measured all of these different valuations. When I look at something that potentially -- and I realize it is hard to quantify some of the restrictive zoning issues that are on there -- but 30% -- if the numbers that Mr. Washington threw out there, 30% of the value presumably with property that has no such restrictions and has the zoning that puts it into that kind of valuation which is a big issue. We certainly talk about that very, very often as to what kind of -- what value impact is and the different kinds of zoning and certainly restrictive zoning goes the other direction rather than anything that allows for certain enhancements to the zoning. So my only concern would be as to whether or not we've got a good feel for the valuation here. And that I can't really speak toward. I would like to be able to think that we've done our homework as far as that's concerned. But I think it was said in one quarter that how did this look? Have we quantified it? If it is finger in the air kind of thing as far as the offsetting costs that someone incurred in buying the property, that it would actually reduce the value by 70% and again, those numbers -- it is anybody's guess as to what kind of property -- the cost per acre of \$1 million per acre.

One other thing whether you know it or not, that shopping center struggled for a long time and has had a great number of vacancies. That's another thing that goes into the valuation of that particular parcel and that particular location as active and valuable as some may put it. In any case, I would like to see us move it back on the tax rolls. Get the capital out of it and would like to make sure we've got some reasonable determination. Incidentally, I'm presuming this is the suggested price to put it out there at. We do not have, right now, a buyer.

Public Works Director Dan Worth: The proposal is to sell it to the owner of the adjacent shopping center.

[Time: 01:30:15]

Mayor Lane: Thank you. Councilmember Phillips?

Councilman Phillips: It is a hell of a deal if you can get it. If you're the property owner for \$750,000, he can get rid of the deed restriction and sell it to Applebee's for \$3 million. The

land may be worthless to us but it is not what it is to us. It is what -- how valuable the land is to the property owner. He's probably chuckling right now going I'm getting this land for a song. For us to say well, let's go ahead and give it to him and put it in our coffers and spend it on something else later is ridiculous. We constantly give away city property and we never get the value that we should get out of it. There's no hurry to sell the property and it is only going to go up in value. The property owner of Bashas', he knows that. He knows the property is going up and up. This is a windfall to him. The city loves to give windfalls to people.

[Time: 01:31:17]

Mayor Lane: Thank you, councilman. Councilman Smith?

Councilman Smith: Thank you, Mayor. Just to be clear, I think what we're asking for here is just on behalf of the citizens to establish the fair market value of the transaction. Not to allow the buyer to establish that fair market value. And not to establish it ourselves here upon the dais. Some of us have experience in finance. I'm not going to sit here and tell you in my reasonable judgment, I think \$7 is a square foot is a superb number. I have no idea nor do I think anyone else here does. And to say it is probably the equivalent of what we would get if we went to talk to him about releasing the deed restriction, I don't know how we can assume that. Why don't we talk to him about that? Or why don't we talk to an appraiser and come up with some substantiation for the value? If this is the highest and best value for this property, then I don't think you're going to find anybody up here who is going to object to disposing of it. It is excess property. It provides money to go into the capital budget. For all of those reasons, it is probably a good idea. If this is the right price. That's all we're asking. That's all I'm asking. Thank you.

[Time: 01:32:38]

Mayor Lane: Thank you, councilman. Councilmember Korte?

Councilmember Korte: Question for the city manager. Is the sale of this and the subsequent cash in the budget for '15-'16?

City Manager Fritz Behring: No.

Councilmember Korte: Thank you.

Mayor Lane: Thank you, councilwoman. You know, I think probably the simplest thing -- right now, we have a motion to deny this and to turn this down. But there is something to be said for all the positive reasons we want to dispose of this land whether it is to get it on the tax rolls or get the capital out of this. Something that was just said a little while ago by Councilman Phillips, I am not an advocate of waiting for bigger and heavier price. We have proven to be terrible at that and in fact, it is one of the complaints that's been voiced a number of times here. I can remember from years ago, there was a policy to buy and keep land just because it was never going to go down. The next thing we knew, we were saddled

with millions of dollars of money coming out of the general fund. Apples to apples making a comparison on price on this thing. With this kind of zoning restriction, could be very easy. We could make it very easy for somebody to change it. That would be certainly a windfall if you would say we turned around and made it suitable. I'm not sure I'm necessarily an advocate of an Applebee's there. But in any case, I'm not in favor of the denial.
Councilwoman Klapp.

[Time: 01:34:55]

Councilwoman Klapp: I would like to call for the question.

Mayor Lane: We're ready to vote for that. Please indicate by aye and register your vote. Those opposed with a nay. So as you can see, we're 4-3 with Councilwoman Littlefield and Smith opposing. We can't work without this screen anymore. We're totally dependent here. Okay, yes. Vice Mayor Milhaven.

Vice Mayor Milhaven: I would like to make a motion to adopt 10126 located west of the southwest corner for \$750,000. I would like to make an additional comment. If I recall correctly, that shopping center -- that Bashas' opened about 15 years ago. So those pads and that shopping center have been vacant for 15 years. So whatever you want to think they're worth, nobody wants them. Thank you. So that means they're not worth anything.

Mayor Lane: Was that the second? Councilwoman?

Councilwoman Klapp: Yes. What Vice Mayor Milhaven said is true. In the retail business, I don't think any Applebee's would want to go to that corner. This is not a prime retail location at all. It has been struggling. I'm in full agreement of selling the property for \$750,000 and moving on.

Mayor Lane: Thank you, councilwoman. Councilman Phillips?

[Time: 01:37:02]

Councilman Phillips: I would like to make a revised motion that we -- what was the term again? Not table but continue until we can get a private appraisal of the property.

Mayor Lane: That would be an alternate motion.

Councilman Phillips: Alternate motion. Thank you.

Councilman Smith: Second.

Mayor Lane: Motions are made for an alternative motion and alternative motion, yes. To get a revised or independent appraisal. Did I understand that correctly? And Councilman Smith who seconded it. Would you like to speak to it?

Councilman Smith: That's exactly the objective. We're practicing our appraisal skills up here with no credentials. People are in this profession of appraising properties with and without deed restrictions. So I think all we're asking is on behalf of the citizens, get an appraisal. When it's done, come back to us with a transaction.

[Time: 01:38:09]

Mayor Lane: Thank you, councilman. Councilmember Korte?

Councilmember Korte: What was an average appraisal cost the city?

Public Works Director Dan Worth: I think we're paying a few thousand dollars, not an exorbitant amount of money for a transaction of this size. But if I could, we're talking about coming up with a better approximation of the value in pursuit of using 2-221, the exception to allow us to sell this property to an adjacent property owner. An appraisal is an indicator of value. The tax assessor's assessment is an indicator of value. The best indicator of value is the price at auction. If you don't think that we've done an appropriate job of getting the best value that we get for this parcel by negotiating with the owner based on an appraisal or whatever we used as an input, it would be very simple and probably cost less to just put it up for auction and get a true indicator of value. That certainly is an alternative.

Councilmember Korte: Thank you.

Mayor Lane: Dan, just so that it's clear, is the wild card in this transaction the fact that the adjacent property owner holds the authority to allow this zoning change? Isn't that a fairly significant factor with regard to this transaction?

Public Works Director Dan Worth: Mayor, generally that's correct. It is not a zoning change. The zoning change would be a city decision. It is a deed restriction. It is in favor of the adjoining property owner. They have full control whether that deed restriction is in place or not.

Mayor Lane: They have a bargaining chip.

Public Works Director Dan Worth: Mayor, that's correct.

[Time: 01:40:25]

Mayor Lane: Thank you very much for that. Vice Mayor Milhaven.

Vice Mayor Milhaven: I understand we do have an appraisal paid for by the shopping center owner but I also know that appraisers are heavily regulated and certified today so in the past where people ordered it, had the opportunity to influence the outcome therefore more heavily regulated today. Can you confirm the appraisal was done by a certified appraiser?

Public Works Director Dan Worth: Mayor, Vice Mayor, that's correct. The appraiser was

certified by the Arizona board of appraisers. I might not have that title exactly correct. The statewide board that regulates that, absolutely. They are qualified to do this. We have looked at it with people on our staff that have been through many of these transactions and had experience selling properties. We can look at the comparables they used and I would like to point out two of the comparables that they used were two parcels in the shopping center. One was the parcel on the corner that Mr. Washington pointed out. It sold for less than \$1 million an acre. It sold for less than that. That's true market value. There is another parcel in the shopping center that sold for about \$9 a foot. So they are factored in. Those two purchases in that shopping center.

Vice Mayor Milhaven: We have an appraisal. We just think we want a better appraisal. Thank you.

Mayor Lane: Thank you, Vice Mayor. We have on the table at the moment an alternative motion to consider another valuation appraisal on the property. Is that correct? Okay. Although then I think we're ready to vote. All of those in favor of that motion, please indicate by aye and register your vote. Opposed with a nay. That motion fails. Fails 4-3 with councilwoman Littlefield and Smith and Phillips in support.

Mayor Lane: Let's have a restatement.

Vice Mayor Milhaven: I move adopt Resolution 10126 authorizing real estate agreement number 2015-126-COS for \$750,000.

Mayor Lane: Motion made and seconded. No further comment on that. So I think we are now ready to vote. If you are in favor of that please indicate by aye and nay if you are opposed. Motion passes 4-3, Councilwoman Littlefield, Councilman Smith and Councilman Phillips opposing. Mayor Lane: Thank you for the input all the way around. Thank you for the testimony and staff, thank you

ITEM 19 – SCOTTSDALE AIRPORT MASTER PLAN

[Time: 01:44:02]

Mayor Lane: Now to regular agenda item number 19.

Aviation Director Gary Mascaro: What I would like to do is invite up the president of Coffman Associates to provide you the brief presentation. This is a culmination of a two and a half year process that we've been working on this plan. We haven't had a plan since 1997. We're confident working with our community partners as well as our users that this plan is a real solid plan to present to you tonight and to share some exciting data of what we see the airport going over the next 20 years. Thank you.

Coffman Associates President Jim Harris: Thank you. Mayor Lane, members of the council, I'm pleased to be here this evening. As Gary had suggested, I'll try to summarize a two and a half year process and give you a brief overview of the findings and recommendations. It is

good to take a moment and get the broader picture of an understanding of what a master plan is for an airport. Most airports do have master plans that are adopted which is a governing document, a visionary document for the airport. That is required by the FAA for those airports that do receive federal funding. But they also facilitate the development of the airport in conjunction with the FAA advisory circulars that are required to formulate a master plan so that all of them are developed in a similar manner. But it is also a comprehensive study of the airport that evaluates the facility's aviation demand. This is a 20-year planning document. The airport's last master plan was updated in 1997. Timing was appropriate to take a step back, look at the airport and develop a new 20-year plan that would respond to needs and demands as they exist today.

As I mentioned, it does provide for not only long-term demand but also the short, intermediate and the long-term planning horizons over the 20-year period. It serves as a strategic tool for the improvement priorities and obtaining funding. The document is not only used by the city of Scottsdale. It becomes your planning document for the airport. But it is also used by the FAA, the federal aviation administration and the ADOT aeronautics group. As I mention, this is a visionary document, the overall blueprint for the development of the airport and it is important to make the statement of what it isn't at this time. It isn't a business plan. It is again -- is a plan used for the development of the airport.

There are a number of boxes that are illustrated on the next few slides. They're giving a quick overview of the various elements of the master plan. It is important to note that one of the things that the city and the airport staff required of this particular planning effort is a robust public outreach process. A planning advisory committee and there was about a 23-member planning advisory committee, stakeholders if you will, of both airport interests, government interests, users of the airport, that sat in review of the master planning documents as they were being prepared. There were also a series of public information workshops. Four of those held over the course of time. And then as the document was put together, the committee reviewed all of the elements as they were prepared and at that time after every milestone or committee meeting, there were public information workshops to share that information with the community and the airport tenants.

Again, I will kind of mention a couple other key points as we did move through this process. There are also briefings, three to the airport advisory commission so that they had an opportunity to review and comment on the material as it was being prepared. They also had a couple of members that served on that committee in addition to the general meetings where they reviewed the material. The plan itself finally resulted in a series of recommendations including a financial plan and development of the airport layout plans that ultimately are submitted to the FAA. Again, as you can see, all of the meetings and effort leads us to today after having gone before the airport advisory commission back in April to bring this plan for your consideration here tonight.

A couple of key points start with the forecasting. The FAA is very much aware that they want to make sure that you're doing planning that is reasonable. That is not making over-- what might be the appropriate course of planning for the Scottsdale airport. I won't take you through all of the numbers but I will highlight a couple of things. At the top of the table, the

master plan forecasts were approved by the FAA on August 7, 2014. They reviewed all of the documentation for the forecast. They are in concurrence with those. The plan moved forward to consider using these numbers for the future planning within the document itself. They did the long term period takes us out 20 years and of all of the numbers, these are all activity indicators whether base aircraft or operators but I did want to point out the two lines highlighted. They're quite important from the forecasting effort. You'll see of the based aircraft numbers and the growth of those, we're showing the numbers growing up to about 500 based aircraft from the base here of 368, the most significant growth sector of the base aircraft was the jet and private use jet aircraft. So obviously when you look at different aircraft which dominate the fleet mix using the airport that's an important consideration to note, it also helps us in our planning of facilities.

Also, the total itinerant operation -- itinerant operations are those aircraft which take off and land either from another destination or going to another destination away from the airport as opposed to local traffic which is more of your training operation but again, this is an indicator of how much the airport is utilized by individuals coming to Scottsdale for business, tourism and other reasons and again, quite a growth sector in the forecasting effort that we did. From an overall perspective, you see the total operations at the airport growing from about 153,000 annual takeoff and landings to 192,000 over the 20-year planning period. A number of the aircraft we looked at from a basing perspective, this was quite important to starting to establish what are normally airport design standards for the airport.

Historical aircraft does support a runway design code of D3, has to do with the approach speeds of the aircraft and the wingspan. There are basically quite a few larger corporate jets such as the gulf stream 5, the global express that have a little bit larger wingspan, aging in the order of around -- weighing in around 100,000 pounds and meet criteria for design standards for the airport in utilizing those for those design standards. At a point in time during the course of the master plan, there was an environmental assessment being looked at look at strengthening the runway in the associated taxiways from the current 75,000 to 100,000 pounds. That's consistent with those types of aircraft. However as we went through the master planning process, the FAA and the aviation department were in a lot of discussions talking about that increasing the pavement strength to 100,000 pounds would require that the airport would meet all of the current D3 standards. The master plan went through quite a bit of evaluation and found that that was not practicable, that's a term the FAA uses when it is difficult to meet certain standards. However, moving forward with the master plan and going through the evaluation allowed us to find a way to still accommodate the larger aircraft and not only today but in the future and very close working with the FAA, we'll maintain the runway design code D2 standard which is recognizing the larger aircraft. But the pavement strengths would remain at 75,000 pounds and would continue to utilize the prior permission required system that the airport does today which will allow the 100,000 pound aircraft to operate. This is a discussion that went on for quite some time between the airport and FAA as viable option to maintain the airport's ability to continue to serve the airport in the future and at the same time we'll have submitted actually what's called a modification to design standards which is an agreement basically for FAA to agree that the airport can operate the larger aircraft under the current situation. We went through evaluations.

I will briefly point out from the master plan concept developed what the highlights were. Some of the most significant notable projects. This is quite difficult to see. The future projects are highlighted there in color. The yellow represents buildings. Red is pavement. Blue is some parking and vehicular access. Just to kind of give you a frame of reference. But highlighting those significant development projects, the most significant is the reconstruction and rehabilitation -- the airport has received additional grant funding to move forward with the rehabilitation over to the east side parallel taxiway. At the 75,000 pounds, quite a few segments of airport pavement are old and do need rehabilitation and reconstruction and that program is underway and will continue as part of this master plan process.

In addition, one of the areas that was looked at for future development or redevelopment is where the terminal building and other buildings in that vicinity are today. It was found again that there could be value in further looking at consolidation of some of the buildings, redevelopment, modernization and reuse of buildings in certain fashions so this terminal area of redevelopment has been established so they could be studied further and see if there is a way to more or better accommodate redevelopment areas within the complex itself. Also there's quite a few private leaseholds on the airport. As I mentioned, as we look at the fleet mix and changing aircraft operation, we came up with several different concepts for the leasehold areas that could develop in a manner that would be better suited for the future. Both existing and future-based aircraft and transient needs to accommodate some of the larger aircraft but still recognizing the need to serve the smaller general aviation community and providing them the facilities they need to operate as well.

Also hangar development on the north ramp. There is significant demand for hangar development. Particularly for the smaller aircraft as particularly as some areas redevelop in serving the larger aircraft. We want to make sure we're accommodating as many of the smaller that we can. The kilo ramp was one viable option to develop a number of hangars along the eastern edge of that ramp area over time and that could be done in segments. This is really a plan to develop these would probably be more airport driven by the city meaning that they would develop those given market rate and conditions for hangars as opposed to the leasehold areas which would be done probably more by the private sector. Also self-fueling for aircraft. Having the capability for individuals to self-fuel their aircraft. We got two different locations identified. One is somewhat in the works right now. More to the south end option one. We wanted to make sure that should that not remain viable over time, we had another option available to serve the general aviation operators with the self-fueling capabilities.

That represents a majority of the significant projects that we looked at for the airport. And what the plan in front of you is showing is the CIP program and the phasing. So we took every project that was identified in the master plan and broke it down into the first five years. You can see that again, there is an awful lot of pavement projects here that are illustrated that we talked about earlier. You'll see what is a fairly aggressive program in the first five years to continue to maintain the pavements looking at safety-related items so again, there has been an organized plan laid out that's consistent with the planning horizons at both FAA and ADOT

would be look at. We continued that through the 20-year planning project look at which were most appropriate for the six to ten year period and those projects which might be longer term projects which could be accomplished in later outlying years. We figured the costs on those and figured out which ones would be eligible for FAA funding, state, ADOT funding and the local share on the part of the city or the airport.

The short-term program as I mentioned is a fairly aggressive program. It is \$53 million program of which \$21 million is eligible for FAA funding and of course, obviously the airport and the city work quite closely with the FAA to secure funding. The ADOT share again, a lot of that is matching funding or state local grants that add the will provide to the city. Local share is more significant for \$23 million. There are several areas such as the terminal redevelopment which are not eligible for federal or state funding. Intermediate and long term are broken out. It does summarize over the 20-year planning period, about a \$12 million planning of which \$81 \$112 million planning program. \$28 million would be the responsibility of the city. All state money is not guaranteed funding but you always have and will in the programs as they're established by the FAA and the state compete quite well given the nature of the Scottsdale airport.

Final piece of the plan should you choose to adopt the plan is to then forward what's known as the airport layout plan which is actually a series in this case of ten different drawings, 24 by 36 drawings which meets all of the FAA criteria to illustrate projects not only current design standards and any modification but what the future projects are. If they're not illustrated on the plan neither FAA or ADOT will fund projects not on the approved plan. Once submitted and approved by the FAA, then these projects become eligible and becomes the official guidance document for the FAA and ADOT.

Earlier on, you talked quite a bit about the value of the airport. We were quite fortunate as this work program was put together to also include with it economic benefit analysis or study. With me here this evening is Dr. Lee from Arizona State University who has done quite a few of these. Not only in the state of Arizona but throughout the western United States and throughout the country focusing just purely on aviation and airport facilities. I'm going to highlight a couple of points but certainly he's here to answer any questions you might have when we conclude the presentation. Starting more on a global basis, we're looking at the total economic benefits of the Scottsdale airport and airpark. You'll see that the aviation activity at the airport and in the park, the airpark created about \$536 million of economic benefit in fiscal year 2014. The aviation activity supported almost 3500 jobs with incomes or payrolls of about \$186 million. The catalytic spin-off which was a term new to me as we entered into this but it really takes into account the entire airpark and what that all means in terms of employment and revenue and benefits and it is quite a larger evaluation of what the airport and the airpark means. But the added benefits add up to about \$8.2 billion of impact to the community and to the region. If we boil that down to just the airport, setting aside the airpark for a moment, there's 61 private employers on the airport with revenues of \$134 million. 580 jobs. Incomes or payrolls of about \$140 million. Into the airpark is businesses with taxiway access to the airport, 104 aviation related terms reporting revenues of \$150 million. 818 jobs and payroll of about \$49 million.

Final point that was looked at and we spent a lot of time doing this is studying the visitors arriving at the airport. Using the airport as a point of destination and found the visitors coming to the airport spent \$44 million off the airport in the community. Obviously a pretty significant benefit. On the average day, the air visitors inject about \$120,000 per day into the economy. So a pretty significant economic impact and important side of the equation when you're talking about \$120 million capital plan for the airport. What's the return on that and what's the investment bring back. I think this was an important task to go through and have a clear understanding of the value of the airport to the community and to the region.

Finally, I just wanted to touch upon the public outreach one last time. We worked closely with airport staff to hold not only the committee meetings we held but we also held the workshops. There were a number of news articles that portrayed the airport and the master planning process over this two and a half year period so there's a variety of different ones. You can see the circulation that those had and the readership that it went out to. The public meetings as I mentioned, there were four of the public workshops during the course of the process. Number of website postings. Not only through the airport's website, but we developed a separate master plan website that would link to the city's website. Newspaper ads used to advertise meetings and e-mail server list has become quite important in reaching out to individuals interested in the airport as well as those that the airport stays in touch with on a regular basis. Again, a variety of other promotions using aircraft conventions, the airport advisory commission and social media. Robust public outreach. I think that was quite valuable to us in getting the feedback and certainly to hear what the community had to say about the master plan and the process. So with that, I will end my presentation.

[Time: 02:05:58]

Mayor Lane: Thank you very much for a very comprehensive review. And study. I guess -- I don't have any cards for anyone to request to speak or public testimony on this. I haven't seen anything from the council members at this point in time. But I had a couple of questions. I'll go ahead and defer to council people as they start to come in now.
Councilman Phillips?

Councilman Phillips: You could have went, Mayor.

Mayor Lane: All right. I'll go. Just a quick question. It is not generally the protocol. I will do that with your offering there. You mention something about the fact that an accommodation had come about or negotiations and that is between the D3 and the D2 designation. There was one thing that you mentioned in the course of that. And pardon me, I'm sorry, what was your name?

Coffman Associates President Jim Harris: Jim Harris.

Mayor Lane: Jim, I'll go with that. In any case, thank you. You mention, Jim, that the 100,000 pound weight limit was a D3 designation, I think. But through a process of conversation because of it not being practical or whatever term it was, the FAA used, I'm presuming they're talking about from the standpoint of the type of airport, the kind of

regulations that would be -- would coincide or be attached to the D3 designation which undoubtedly carries additional cost. One thing you mentioned is permits. I remember what we were doing before that we had some kind of card in the cockpit or something that somebody had to call in order to get clearance to get that permit. Does it operate under that same basis?

Aviation Director Gary Mascaro: Mayor, very similar. It is very similar to what you describe. If an operator wants to operate larger aircraft at 100,000 because they can never land, they can only depart. They can contact the airport operations, let us know and then we basically approve it. But part of the approval process and what the FAA allows us to do is do an inspection of the runway to make sure nothing is happening or falling apart. They're on their way.

Mayor Lane: I'm sorry. We have to make an inspection of the runway?

Aviation Director Gary Mascaro: After they operate, Mayor.

Mayor Lane: I don't know how frequently that occurs but nevertheless it is similar to the process we've employed in the past. As far as that's concerned as well.

Aviation Director Gary Mascaro: That's correct, Mayor. Since we implemented this prior permission request program back in 2010, we've had approximately four to five a year. So that was part of the evaluation. Do we want to expend significant dollars to meet that requirement?

[Time: 02:09:08]

Mayor Lane: Second part of my question is aside from maybe the additional regulations and compliance issues that the airport would have to come up with in a D3 designation, I'm sure there is a cost figure, I don't know if that has been calculated, I have to figure out what's been saved by this very simple issue of staying in a D2 designation with the trade-off of five to ten times a year. We've got to do an inspection after we allow for the takeoff of an aircraft at 100,000 pounds or more.

Aviation Director Gary Mascaro: Mayor, I don't remember the exact number but it was significant. Basically in a nutshell, if we went to the D3 category, we would have to relocate our taxiways outwards which would result in purchasing of land, impacting the FBO operations, it was significant to say the least. The D2 designation, we don't have to change any air configurations.

Mayor Lane: I get that for sure. We're talking about a substantial amount of not just compliance issues but physical relocation issues, reinforcement of the runway?

Aviation Director Gary Mascaro: That's correct.

Mayor Lane: We're talking about a big ticket for a trade-off. Hopefully it is a growing

number but five to ten a year with a permit situation. I don't know who frankly went down that road but that sounds like a real saver. If accolades are deserved, I'll give them to you. There was one other thing we talked about. We're not also talking about having to shut down the runway.

Aviation Director Gary Mascaro: We would have to.

Mayor Lane: Cost upon cost. Very good as far as that's concerned. That was my only point of clarification. If there is an "Atta boy" necessary, please receive it. That's a very good point. The only other question I had really was with regard to these projected costs on each of the phasing of some of the things you've got outlined here. I think this is a very interesting sort of proposal and I'm sure it is on the basis of not only maintenance but rebuild of existing infrastructure primarily here. You mention one thing that you said -- I don't know if it is in the numbers but it was the hangars for the smaller aircraft. You suggested that be something since it is within the boundaries of the city's property, at least as far as I can tell from the aerials, is that part of the plan of structure or just an option?

Coffman Associates President Jim Harris: If we're talking the hangars on the north ramp, it was part of the plan. We wanted to make sure we had a location the city could consider building smaller hangars to serve the general aviation communities.

Mayor Lane: Included in these numbers?

Coffman Associates President Jim Harris: Yes, it is.

[Time: 02:12:11]

Mayor Lane: Thank you very much. Councilmember Korte?

Councilmember Korte: Thank you, Mayor. Back to the D2 to D3, wasn't it back in 2013, the council authorized moving forward with the D3 renovation?

Aviation Director Gary Mascaro: Councilmember Korte, what we did back in 2012 or 2013 is the council authorized an environmental assessment to do the evaluation. As we were doing that in conjunction with the master plan, the numbers came out. We benefited the cost benefit analysis. We made that determination and the FAA concurred which was a huge plus. We don't have the modifications signed off yet. That would be a huge win for the city. So at that point we would stop the process and go from that perspective on based on our discussion to the FAA.

Councilmember Korte: Thank you. With that, I will motion to adopt resolution number 10038 authorizing adoption of the Scottsdale Airport Master Plan.

Councilwoman Littlefield: Second.

Mayor Lane: Motion made and seconded. I'm sorry. Who was that? Would you like to

Speak toward that?

Councilwoman Littlefield: No.

Mayor Lane: Very good. We have a motion in place. Councilman Smith?

[Time: 02:14:08]

Councilman Smith: Thank you, Mayor. I think we skipped Councilman Phillips somewhere along the line. He yielded time to you.

Mayor Lane: You're absolutely right. When you gave it to me, I thought you were giving me your time. Your name disappeared. You're already off here. Forget it, councilman, you're done. Councilman Phillips.

Councilman Phillips: Thank you, Mayor. I won't make that mistake again. Number one, Jim, thank you for the presentation. It was thorough and complete. And text amendments aside, the airport is doing a wonderful job. You didn't get any negative comments about your master plan and that's a great thing. And nobody's saying you didn't have enough outreach. That's a great thing. The thing about the D2 and D3 is good because there was concern about the bigger, heavier jets and it alleviates those concerns. We don't have to worry about that. I don't know if I missed it but is the master plan, does it include any part of weigh finding to the airport?

Coffman Associates President Jim Harris: No. Mayor, Councilmember Phillips, from the standpoint to the airport from adjoining streets and such, it did not. That would be outside of the purview of what the FAA would consider purview. They would look more to the city to then incorporate a local way finding program. There has been quite a bit of way finding done internal to the airport that I know has been recently done.

Councilman Phillips: The other question is budget amounts there, that budget is within our city purview? That's something I guess our city treasurer can answer? Is this master plan budget within our budget?

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Phillips, that would be a question for Gary. I'm not that current with this budget for this fiscal year.

Aviation Director Gary Mascaro: Thank you. Yes. Our five-year capital improvement plan reflects this master plan for the most part. Obviously if it is adopted, we need to make a couple of tweaks. Most of these projects are already incorporated in our five-year plan. We have a very robust plan and budget. However, we never moved to complete a project without the federal and state funding portion. We would always shift that project to an out year if we did not receive the grant to do the project.

Councilman Phillips: Thank you very much.

[Time: 02:16:35]

Mayor Lane: Thank you, councilman. Councilman Smith?

Councilman Smith: Thank you, Mayor. Well, I think like everybody else, we're pleased to see a thoughtful, complete plan for the airport. If I have any concerns at all, it is probably that someday five years from now, someone will say we need \$20 million because you approved the plan. So I guess we'll worry about that when it comes. One specific question and I don't know who this is for but we're known as a reliever airport. That carries with it responsibilities, costs, obligations, whatever, that are above and beyond if we were not a reliever airport. Do we -- obviously we want to be because that sounds classy but why do we want to be a reliever airport and what would it imply if we were -- whatever the notch is less than that?

Coffman Associates President Jim Harris: The term reliever airport was put in place a number of years ago. It was really designated for general aviation airports like Scottsdale and others in major metropolitan areas in close proximity to a larger air carrier airport. In this case, Phoenix Sky Harbor. The intent was always to, with the eye on safety is as those air carrier airports grew and become much busier is to allow funding to help the other airports, the GA airports develop and allow them to accommodate the general aviation aircraft as opposed to going into the Phoenix Sky Harbor airports or the other air carrier airports. It is an important designation because it carries with it opportunities for some additional funding for those airports that do have the reliever designation because they do serve a fairly critical role for the general aviation community as well as the larger commercial service airport.

Councilman Smith: I understand the economics of how if you promise to work with the FAA as a reliever airport, they'll give you more funding but it is only a portion of the funding required. I guess I'm trying to figure out how we get all of the benefits of the airport but minimize our own investment and if we're doing something for the benefit of Sky Harbor or for the FAA generally, have we studied -- have we really studied the question of can we afford to be a reliever airport? Do we have benefits from being a reliever airport other than matching funding?

Coffman Associates President Jim Harris: I think it is a good question, Mayor, Councilman Smith. I think the importance of evaluating that from a funding standpoint is critical. As I mentioned in one of my statements earlier, there is no guarantee of federal funding. Now, there is a certain level for airports like Scottsdale but right now, it is \$150,000 a year. Otherwise, you compete on a regular basis with other airports for high priority projects whether they be rehabilitation of pavements or safety-related projects and again, I think an airport like Scottsdale updating the plan, maintaining a current airport layout plan, working closely with the FAA as staff has done is really what puts you on the forefront with the FAA competing well with the funds out there. The plan itself is demand-based so having the plan current is, it tells you one thing. When we say a project would be appropriate, it is based upon activity levels, justification and need. FAA is going to look at that closely and look at the master plan. So if it isn't needed, they may not look at funding. So I think the well thought-out plan, the reliever status comes together. As we mention the economic benefit

analysis is an important tool to look at the value of the return on those dollars put into the airport.

[Time: 02:21:02]

Councilman Smith: We've all seen many situations where success has many fathers as President Kennedy used to say. And somehow when you talk about the tourists that come here through the airport and stay at the hotel and eat at the restaurants, you know, Rachel Sacco justifies her money for the CVB. We count the same tourists. About nine different times. I want to be sure and make my statement in conjunction with everybody else up here. I think the airport is a valuable asset to the city. But if our plan is going to be driven by assumptions like all of these tourists are here for only one reason and that's because we have an airport, even your assumptions in the report that by the end of the planning period 2032, we'll have population in the city of 280,000 people. I don't think there's anybody in the city that thinks that will be the population. That's something we actually control here or should be controlling. So when you say it is a needs based analysis and an economic return analysis, I want to be sure that we're really not kidding ourselves on either front. I think it is a good platform for future thinking but as Gary admitted, it wasn't many months ago we were convinced the thing that was most important to do was build a 100,000 pound runway. We even said go for it then we realized that didn't make sense. I know it is a lot of words but I don't want this to become something that's written in concrete that we -- now that we've said it, we have to march down this path and council approved. It is a good first step, second step, whatever but planning is a dynamic activity. I think that's it.

Coffman Associates President Jim Harris: Mayor, Councilmember Smith, a valid point. I understand. The plan itself is flexible. And it is up to, as Gary said, capital projects are looked at every single year and evaluated. So that's an important part. If you have a lot of flexibility with the plan, while it has a vision, you know, you have a lot of decision making authority as you implement the plan.

[Time: 02:23:40]

Mayor Lane: Thank you. Councilwoman Littlefield?

Councilwoman Littlefield: I would just like to say thank you very much. I appreciate the hard work you've done and the detail you've used to make this happen. I also like the fact that you're willing to look at different options. Do feasibility studies. Does it make sense? Does it not and make a decision and judgment at that level. That's flexibility at its best. I would like to see that. Thank you.

Mayor Lane: Thank you, councilwoman. Thank you, Mr. Harris and staff. We'll have to figure out who owns those tourists. Once we get that figured out, we can figure out how to allocate the responsibility for what they produce. But frankly, I understand exactly how this gets determined. I think it is an important point in the way you presented this. That's actually what's going on at the airport and that's very specific to people who are using the airport. Then into the airpark. At least to the point you can track what's happening in the

airport that's contributed to bit airport and then beyond of course. That's probably a bigger portion of that shared -- but they all contribute on each and every level. And to the point that I share the same concern always when we have a study, when we accept or adopt a study. This isn't some ten commandments coming down from the mount. We don't have to do it. I think the word he used, Mr. Harris was the fact that it is still based upon need. And the FAA even on these matching funds and all of that is going to be looking at not only our plan but frankly how it fits in. Year to year or within a timeframe. So I'm confident on that myself. But again, I just would like to say it is a great study. A great result and we appreciate it. Thank you very much for that.

We have a motion and a second on the table. I think there's no further comments, we're ready to vote. All of those in favor, indicate by aye. It is unanimous. Thank you very much.

Coffman Associates President Jim Harris: Thank you. I appreciate it.

ITEM 20 – STATE LOBBYING SERVICES CONTRACT

[Time: 02:26:09]

Mayor Lane: Next item is item number 20. State lobbying services contract. We have Mr. Lundahl here, our government relations director. To lobby us on the lobbying contract.

Government Relations Director Brad Lundahl: I appreciate the humor, Mayor. I'm here tonight on our new state lobbying contract. Just to provide a little bit of background. The current contract that we have with the Aarons Company did expire yesterday. We have gone out for an RFP. The process began back in beginning of March. So it went through a competitive bidding process. The prior contract was a five-year term renewable each year. I came before you and you did renew the contract. The previous contract was \$4,000 a month or \$48,000 annually.

Just so everybody knows the purpose of why Scottsdale does have a private sector contract lobbyist, it is to augment our lobbying efforts at the state legislature. It does get very busy and complex down there and we do need the additional help. In addition, several years back, back before we had this contract, the government relations department had three and a half FTE dedicated to the department. We did trim that down to two FTEs. Myself and I do have an assistant. We decided to augment our capabilities with a private sector contractor so we essentially enhanced our efforts at the legislature and were able to save some taxpayer dollars as well.

We did go through a new RFP process. The winner of the process is the Aarons contract. The contract is another five-year contract renewable each year. The fees did go up slightly on the new contract. It is going to go up \$100. So \$4100 a month for \$49,200 for that two-year period and then the next two years, it goes up another \$100 and then in the final year of the contract, it would be \$4500 a month or \$54,000 for the year. The motion before you is whether to accept and approve this contract and I would be happy to answer any questions.

[Time: 02:29:04]

Mayor Lane: I would just say your opening comment about the fact this contract expired yesterday or something like that. I understand he's here on his own tonight. I would want to add to the fact that several years ago now when we did make some major changes in our government relations department, we not only eliminated an FTE but a federal lobbying contract. We should say this team here which has done I think an outstanding job of covering us not only on a state level but also federal issues when it comes up and people we need to speak to here in our federal delegation has worked out exceedingly well. We saved somewhere close to \$200,000 a year with that change. So I think it has been -- it has worked very well. So in any case, there are some further comments or questions. Start with Councilmember Korte.

Councilmember Korte: I would like to make a motion to adopt option A, Resolution Number 10109 authorizing the contract for number 2015-118-COS with the Aarons Company LLC.

Councilwoman Littlefield: Second.

Mayor Lane: Motion made and seconded. Any comments? Okay. Seeing none. Then I think we're ready to vote except we've got a couple of folks that just couldn't -- figure we're going to go on longer about this subject, I guess. Mayor Lane: I hope you don't have any questions now.

Vice Mayor Milhaven: I wouldn't dare.

Mayor Lane: Motion on the table to accept option A. And it has been seconded. So I think then we're ready to vote. All of those in favor please indicate by aye. Nay if you oppose. It is unanimous acceptance. Thanks very much, Mr. Lundahl.

ITEM 21 – PUBLIC HEARING AND ADOPTION OF FISCAL YEAR 2015/16 RATES AND FEES

[Time: 02:31:33]

Mayor Lane: Next item is our public hearing and adoption of fiscal year 2015-2016 rates and fees. We have our city treasurer Jeff Nichols and maybe supported by Brian Biesemeyer at some point in the conversation.

City Treasurer Jeff Nichols: Mr. Mayor, members of the council, thank you very much. I will begin the process with the general fund and Mr. Biesemeyer will take over with the enterprise fund. So to begin the process, if you remember we first came forward on about February 17th, brought forward some proposed rates and fee adjustments to give you an update. This is an annual review process. Where we determine direct and indirect service recovery rates. We decide what's acceptable. It may be 100%, it may not. The fees we have for you to approve.

Tonight we're going to be talking about proposed rates and fees in community and economic development. Our community services area and public safety fire has I believe one. New rates estimated to increase revenue by about \$606,000. About 97% of that is related to community and economic development. There are asterisks. The modifications are these. The request to add new fees on the application schedule and plan review permit schedules are now being identified as administrative changes. It was pointed out, if you remember the previous presentation we made, there was a lot of new fees. New this and new that. They weren't really new fees. What we were doing was charging them under a generic fee if you will or a generic label and we're just being more accurate in our description of what the fees are now so there's no revenue impact related to that. We're going to be collecting the same revenues in the future we collected in the past just under different label. The request to add new fees on the storm water fees has been withdrawn. That decreases the request in this area by about \$13,000. The request to eliminate the GIS fee has been withdrawn as well. That increases the revenues that will be generated by about \$276,000.

So annual review of planning and development fees resulted in the following proposed changes. You can see the application fee schedule there and the proposed changes note there at the bottom. There's five different fees. No additional revenue in the general fund related to the changes for '15-'16. The annual review of the planning and development fees resulted in the following proposed changes under the plan review on permit fee schedules. Again, quite a few about eight different proposed administrative changes but again, no additional revenues to the general fund relating from these changes. And in the annual review of the planning and development fees resulted in the following proposal for plan review and permit fee schedules and there are modifications to the seven fees. And most of the fees are on a linear foot or per square foot basis and they'll result in additional general fund revenue of approximately \$439,000.

And here are those seven fees we were talking about. Some of them by per request. You see some decreases in those fees for the miscellaneous permit fees for solar water heaters, residential and commercial. Decreasing by a considerable amount. The overall revenue change is fairly small. And then the plan review and permits fees, the adjustment of 2 cents either per linear foot or per square foot for those reviews. They generate approximately -- in total of \$439,000.

We have some changes coming forward for wireless communication facilities in the right-of-way, the proposed increase of approximately 3%. For a newer post-July installation, additional fund revenue is approximately \$35,000. And then in community and economic development, we have the annual review of WestWorld fee schedule and resulted in some significant changes in the fees related to reserving the fields either individually, in whole or in part. Related to applying water to certain arenas, cleanup labor, a slight increase. The drag. Dragging the lots after the horses go through. The new fees to related to the parking lots we have paved now and generating new revenues. The additional general fund revenues will be approximately \$116,000. That's our estimate. Again, if you look, here are some of the proposed fees and the changes to them and the individual revenues that we believe are anticipated by these changes. Most notably there again, you see the cleanup restrooms and grounds. About \$67,000. I would like to note that currently we are paying for additional

costs relating to the additional activities. We're trying to recover more of the funding, if you will, more of the costs we're bearing for the use of the facilities for the cleanup of the facilities and the operation and maintenance of them.

Community services we have an annual review of programming and rental fees related to Scottsdale stadium. Some are full concourse rental. Creating new rates for the palm court and adjoining concourses either hourly or daily. We're proposing some changes to fees for the Scottsdale Sports Complex. One that we talked about last time, Councilman Smith probably remembers, relating to increasing nonresident fees and the library which he actually calculated the number of applications we would get. It is rather low. Some changes to the fees at the aquatic center at McDowell Mountain Ranch don't relate to swimming but the skate park. Increased fees in the McCormick Stillman Railroad Park. They would raise approximately \$17,000 for the general fund and you see the \$32,109 for special revenue funds related to the McCormick-Stillman Park. There was one modification to the original presentation from community services and we withdrew the increase for the entire stadium. From commercial hourly rate fee has been withdrawn. It was due to an incorrect amount on a public notice. We reached out to community services and asked them if they wanted us to re-notice it. They said it wasn't that significant to not do it this year. We would more than likely do it in the '16-'17 budget.

Some of the fees related to the use of the different Scottsdale Stadium fees, you see a total additional revenues of approximately of almost \$8,000. Staff has indicated these put us in line with other stadiums within the valley as far as what our rates and fees are for these uses. You see the library fees there. Raising approximately \$600. The Scottsdale sports complex. The fees for the youth facility rental. Full rental of the facility. And raising approximately \$8500. Again, the aquatic park, the skate park, we're changing the membership fee from a six-month membership to a life-time membership. There is no impact on the revenues and the additional fees there's McCormick-Stillman Park. Slight increase. From a percentage change it looks hefty going from \$3 to \$4 but \$1 increase in both for the train ride and the holiday light train ride.

In the fire department, they were asking for an increased fee to rush permits compliance if the person requesting the permit comes in late and wants a rush, we want to charge a fee for that so that staff has to address it outside of the normal course of business. With that, I would take any questions related to the general fund rate increases we have. I would also like to point out certain staff are here if you have any questions related to their areas.

[Time: 02:41:16]

Mayor Lane: Thank you, Mr. Nichols. It is very comprehensive and I appreciate the report. I have a quick question though on something that may be associated, I suppose with the library nonresident library card.

City Treasurer Jeff Nichols: I apologize.

Mayor Lane: Maybe there is a little bit of humor in it. The fact remains one of the

things -- obviously this is nothing. This is a small number. But my question is it doesn't have any impact on the recovery that we get from the county for providing library services for nonresidents who are essentially from potentially from the county.

City Treasurer Jeff Nichols: I'm going to ask for a nod from Mr. Murphy. When we say nonresidents, these are out-of-state individuals and not related to the fees we get for allowing other people within Maricopa County to use our libraries.

Mayor Lane: Somehow or other, we keep track of those numbers?

City Treasurer Jeff Nichols: Yes.

Mayor Lane: Okay. It wouldn't seem like we're entitled to much if this is where we calculate it. I get it. We do have some other questions and comments. Starting with Councilman Smith.

[Time: 02:42:38]

Councilman Smith: Thank you, Mayor. Jeff, you had a slide up there that talked about what you're going to do with the North Hall and WestWorld.

City Treasurer Jeff Nichols: Correct.

Councilman Smith: In the papers handed out to us, the reason for the change is WestWorld would like to make it possible for events using less than 30,000 square feet to afford the North Hall rental. This is a facility, not just the North Hall, the entire TNEC facility we spent \$50 million to build. And now that we've been operating it for two years, we decide the smartest thing we can do is to reduce the price 40%. From 15 cents a square foot to 9 cents a square foot. And I am just -- I'm astounded that somebody thinks that this is going to generate \$27,000 of additional revenue. I spent many years in the steel industry and we always used to follow that pattern of lowering price and make it up with volume. We pretty much went out of business doing that. This I do not comprehend. And I'm offended even at the idea that two years into this project which by the way was sold among other things on the fact that we were going to have increased revenues because we would have such a fancy facility, we could now charge higher and higher prices for it. And we're looking at a 40% reduction? I don't care about all of the other numbers or the library cards anymore but this particular item I will not vote to approve.

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Smith, Brian Dygert had to leave. He had a plane to catch. I did ask him about this. And my understanding of this request is so this would allow them -- which they can't right now -- at least that's what he's indicated to me -- they can't rent out a smaller portion of that hall so they don't have a process to do that. So if someone wanted to only rent out 5,000 square feet of the hall but didn't want to use the whole hall, we wouldn't -- it is cost prohibitive for them to rent the whole hall when they just needed 5,000 square feet. We're coming up with a new rate so that they can rent out part of that and their estimate is it will increase the overall revenue by \$27,000. That's the

explanation I was given right before this meeting.

Councilman Smith: I would observe and the public can't see this because the print is too small. The minimum is 20,000 square feet. Under the revised fees, the minimum would be 30,000 square feet. So if you're going to get this 5,000 square foot show in there at the 40% lower price, it defies logic because you're going to require them to pay for 30,000 square feet anyway. This is poorly thought out. At worst, it is a disaster. Thank you.

[Time: 02:46:04]

Mayor Lane: Thank you, councilman. Councilwoman Littlefield.

Councilwoman Littlefield: Thank you. I just had a couple of questions. One you kind of answered in your presentation regarding the sports complex fees that went up from \$1,000 to \$1500 a day for youth sports. My question is that is competitive with the other facilities around Red Mountain and places like that?

City Treasurer Jeff Nichols: Mr. Mayor, Councilwoman Littlefield, I'll let Bill address that.

Community Services Director Bill Murphy: That's correct. I think last time we were here, we talked about the same thing. We had done comparisons with Red Mountain and the other surrounding facilities so we feel comfortable this is competitive for us.

Councilwoman Littlefield: The other question I had was regarding the skate park membership fee. We're still charging \$26. Before it was every six months now it is a lifetime membership with no change in revenue to do this. So to me, that means the kids that were using the fees never came back and renewed them anyway after six months?

Community Services Director Bill Murphy: Mayor Lane, Councilwoman Littlefield, what we found was this did what we were trying to do which was to control who was using the skate park. So by keeping this set fee at the \$26 now, the return of who's using the park more often is happening. We were not losing people after six months. It was just that we've seen now that it is equated out to what we had hoped for before which is age appropriate people utilizing that area.

Councilwoman Littlefield: Thank you.

[Time: 02:48:02]

Mayor Lane: Thank you. Councilman Phillips?

Councilman Phillips: Thank you, Mayor. Let me figure this out. So adoption of fiscal year rates and fees, we can pick and choose which ones are we going to vote on all of these separately here?

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Phillips, just one moment. I'm being

told you cannot increase any from what is being recommended but you can not approve some of the requested fees.

Councilman Phillips: Are we going to vote on every one of these separately? How can we approve one –

City Treasurer Jeff Nichols: I would hope not. I would hope that you would approve the rates and fees as presented with the exception of -- and the exceptions were much less than going one by one.

Councilman Phillips: I could say without the exception of my things and his things and their things, everybody will have some exceptions I guess. My two exceptions are the Scottsdale Sports Complex. I don't want to raise the rates and fees on that. The McCormick Park, I don't think we should do that one either. That's a mom and three little kids. Let's leave that alone. The economic development, all of the permit fees for permitting and you're doing your blue prints, have it all. You know, we're just getting going with that. We just had some small business reform. Last thing I want to do is raise the fees on that and make it harder for people to do their remodeling. I wouldn't be going for that one either.

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Phillips, one thing I would like to point out with regardless of whether the rates and fees are approved tonight, all of these costs exist. It is just a matter of who's paying for them. So I mean we still have the same costs to review the plan as they are. So if the people who are driving the cost aren't paying for them, then the general public is paying the fees.

Councilman Phillips: I'm sorry. I don't understand that.

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Phillips, it costs us a set amount of money to operate McCormick-Stillman Railroad Park. If the operating costs are greater than the fees we're collecting, then the park would be subsidized or in planning and zoning, if I bring in plans to planning and zoning –

Councilman Phillips: These are our costs. That's what you're saying.

City Treasurer Jeff Nichols: There are costs associated with each of these items, Councilman Phillips. There is a cost regardless of whether we collect a fee for it or we don't collect a fee. There are a lot of costs we absorb. But there is a cost to run the library. So there is a cost to do all of these things and these are things that, over time, the city has thought we should collect some portion of the fees by the people who are using the facilities or the services.

[Time: 02:51:50]

Councilman Phillips: We raise them every year. It is outrageous when you try to build a home or do a remodel to plan, the blueprints and the permit fees and stuff. They're outrageous. I can't see that it -- do we give everybody a raise? What's the deal? So if I was to vote on this tonight, I would say I would vote for it excepting -- what would this one be

under?

City Treasurer Jeff Nichols: Under community and economic development. These certain fees are under community and economic development. The other ones were under community services.

Councilman Phillips: They're portions of those. How do I say just that portion? Maybe the other part is okay.

City Attorney Bruce Washburn: I think you can read it off the slide that's on the screen.

Mayor Lane: May I make a suggestion? If you have specific items you want to propose a motion for us to vote and now from what I understand, we can't raise the fees but we can eliminate the change. We can turn this down. We could turn down any element we so choose. What I would suggest if it meets your needs, councilman, I would say determine those items you think you do not want to have changed and offer a motion. And if you have someone who's of similar and like mind to second it, then we would vote on it. If not, we would go forward.

Councilman Phillips: I appreciate that. I have three. Would I offer those one at a time?

Mayor Lane: I appreciate what you're saying. You can try it either way you want.

Councilman Phillips: That's tough. I'm sorry. So I guess I'll make a motion not to accept the permit and fee schedule. Is that right? Not to raise the permit and fee schedule.

Mayor Lane: It would be a denial of the changes.

City Treasurer Jeff Nichols: Are you talking about just the plan review and permits and the 2 cent adjustment is the fees -- because the other fees are going down.

Councilman Phillips: Okay. We don't want to hurt that.

Mayor Lane: You have a line item. It is a 2% adjustment.

Councilman Phillips: Only two going up with the solar water heater. Residential and commercial.

City Treasurer Jeff Nichols: We're proposing decreased in those fees.

Councilman Phillips: The rest are increases. I would make the motion to not accept permit fee schedule for plan review permits, inhabitable AC.

Mayor Lane: That's your motion then? Motion is on the table. Motion dies for lack of a second.

[Time: 02:54:54]

Councilman Phillips: Do I still have the floor?

Mayor Lane: Yeah.

Councilman Phillips: Next one would be the Scottsdale Sports Complex. I would like to make a motion not to raise the rates on that.

Mayor Lane: Which slide is that?

Councilman Phillips: Do not raise the rates for the facility rental.

Mayor Lane: That page. Community service. Just the Scottsdale Sports Complex. That's your motion? Okay. Motion is made.

Councilwoman Littlefield: Second.

Mayor Lane: Motion is seconded. Unless there's any other comments, I think we can go ahead and vote on that. Would that be an appropriate approach to this? I'm looking for protocol on this.

Councilwoman Littlefield: I don't mind raising the rates to go with increases in other areas but it seems to me that's a particularly large raise for the college kids and players use these fields for. And I think that it would be a better way to do it if we could more gradually increase them rather than do this lump sum of \$500 a day. That's a lot of money for a lot of these clubs. Thanks.

Mayor Lane: Thank you, councilwoman.

Community Services Director Bill Murphy: As I said in February, the sports complex had 282 dates that were available to be used around parking and everything. So we had 279 of those days were occupied with people utilizing the facility. We have a great demand up there. And I think that majority of the club teams that are in there, they would build this cost increase into what those fees are. So just to give you a heads up on that that that's really what we're dealing with and the reason we looked at it.

[Time: 02:57:20]

Mayor Lane: Councilmember Korte?

Councilmember Korte: That increase is based on market demand or cost?

Community Services Director Bill Murphy: Mayor Lane, it would be on both simply because we see the demand is there. We have -- this is a lottery system that goes on up there. It is very competitive each time we put it out there every six months.

Councilmember Korte: Call for the question.

Mayor Lane: We have the motion on the table to not accept the Scottsdale sports complex increase as it is indicated. I think we're all ready to vote on that. Those in favor, aye. Opposed, nay. Motion fails 5-2 with Littlefield and Phillips for it.

[Time: 02:58:20]

Councilman Phillips: One more. McCormick. So I would make the motion not to improve the rate increase for the holiday lights, train ride and the arboretum train ride.

Mayor Lane: Motion has been made. Motion dies for lack of a second. Okay. So wanted to weigh in on what we were talking about before. The North Hall which I think is slide 11 according to what I've got here. I share Councilman's Smith in this area. I wish that -- and I realize we have seen some of these before. I know there's been some modification with some of these but some of these, we've actually seen before, have we not?

City Treasurer Jeff Nichols: Mr. Mayor, I do not recall. I think you have seen these fees. This before in February. I don't think that this was any different than what was presented in February.

Mayor Lane: That's what I'm talking about. This isn't brand new except for the adjustments you told us that were revised.

City Treasurer Jeff Nichols: The one marked on here as new.

Mayor Lane: Yeah. I see that.

City Treasurer Jeff Nichols: There were some modifications but I don't believe it was to these fees.

Mayor Lane: You had one other one where you identified those changes from the February presentation. One of the things I share that concern about WestWorld and the use -- and how we're contracting the space out. I guess now in sort of reflecting on this and frankly the impact was somewhat passionately indicated by Councilman Smith, I wish I really could feel good about these adjustments. I don't know what analysis took place and frankly, you know to say we're going to make \$27,000 more and frankly how this facility is let out. The reason I say how we lease it out or otherwise is because in separating the space, I don't know that we have an ability to just air-condition one small portion of it. It becomes a bit of an issue of how you allocate some of the costs when you're looking at that. So I don't know if it is designed to be actually -- to look for the 20,000 square foot out of the north hall out of the square feet. That's part of my concern when we look at an analysis of cost on this. Maybe we'll get more people to get in here because it could be a virtual bargain. They've got the whole place but they've only rented 20,000 square feet of it. That's my concern.

[Time: 03:01:44]

Mayor Lane: I don't know whether it is worthy of trying to rework it right now or to overanalyze it. But my first thought is to make a motion to deny that change.

Councilman Smith: Second.

Mayor Lane: Motion has been made and seconded. Would the second like to speak any further on that?

Councilman Smith: No I was too passionate the first time.

Mayor Lane: You're all spent on that are you? In any case if there are any other comments from anyone else on this, I would otherwise, motion has been made. Is it on this item also?

Vice Mayor Milhaven: I will just make a comment. I was going to do something else but since it's been -- it's my turn. You are going from a minimum charge of \$300,000 to a minimum charge of \$270,000 which is -- which would be \$30,000. 20,000 square feet at 15 cents a square foot is \$3,000. So we're arguing about \$300. If we book one more event, we'll make nine times the \$300. I'm done.

City Treasurer Jeff Nichols: Councilwoman Milhaven, I don't know if that was a question or a statement but your analysis is correct. Mr. Mayor to the issue of whether the North Hall has the capability to have a section of it rented off, rented and not cool the other section, I don't know if I see Mr. Worth in the audience, I know he was -- his staff, you know built these improvements. I don't know if he can address that issue from an engineering standpoint or not. I would ask him if he could.

Public Works Director Dan Worth: We don't have the ability to separately heat or cool sub sets, smaller portions of the North Hall. It is all or nothing.

Mayor Lane: That's what I would have suspected from the physical layout of the place. It is not a matter of if we get another one. I'm not sure if the 125,000 square foot hall was set up to be six or seven different vendors in there and trying to control that. Let's say it went that way. We have somewhat of a bazaar going on. I think the thinking was that facility is uniquely designed for larger events. That's my concern. And frankly, how you cost it out and analyze it. I appreciate Councilwoman Milhaven's rather direct approach to the idea of a second vendor of another 20,000 square feet would certainly make up the difference on it. If that's the way we're going to rent it. Just have that concern. Still do. All right.

Councilmember Korte?

[Time: 03:05:10]

Councilmember Korte: Thank you, Mayor. It is unfortunate that Brian isn't here to help us understand the marketability of this change and I'm not one to micromanage this off the dais. I'm not an event manager. I don't understand marketing events. And we have to rely on the

expertise of our staff to do this. If the difference is \$300 between one and between the 20 versus 30 annual fees peruse, this seems like a no-brainer. I think it becomes more marketable and usable so I can see where the rev change can be justified at \$27,000.

Mayor Lane: Councilman Smith.

Councilman Smith: If we get one more event, it will generate perhaps this kind of money but we're talking about reducing the amount for every event. Every small eventually that will be 30,000 square feet or less doesn't have any restriction on it. So you may get one more event but everybody else is going to pay less money. At best, this has to be thought out. Maybe they can come back later and ask for this. But this just seems so poorly thought out, I can't possibly support it at this time.

Mayor Lane: If I might, we're trying to figure our way through this as to how this works out economically. That's why I said it would be nice to have a little bit of the analysis as to how this plays out. We can look at this simply but does that not change the rate for every event? In other words, if I rent out the entire 125,000 square foot hall, this is only for small events?

City Treasurer Jeff Nichols: Mr. Mayor, that's the way it was presented to me when I asked Brian Dygert earlier tonight. It was to increase the smaller events.

Mayor Lane: Increase the number of smaller events.

Councilman Smith: From two we have that have to rent out a minimum of 20,000 square feet and to make the minimum go up but make the fee go down. For the smaller events. I don't believe it related to renting out the whole building. And to defend staff, I can't believe our staff at WestWorld would let anyone, let's say rent 30,000 square feet of the North Hall and then just use the whole facility. To me, that would be unconscionable.

Mayor Lane: I was talking about energy consumption, some of the facilities are going to be utilized no matter how small an area they take. It is a minimum of 20,000 square feet. Vice Mayor Milhaven? All right. I guess we're ready then to vote. All those in favor of the denial of this reduction for the minimum events please indicate by aye. All right. That proposal is down in flames. That's it for me. We can get back down to the schedule and if individual council members have other changes they might want to propose, might consider that now. Vice Mayor Milhaven?

[Time: 03:09:08]

Vice Mayor Milhaven: I would like to move to adopt 10054. Adopt Ordinance number 4194 amending portions of Chapter 49, Water, Sewers, and Sewage Disposal effective July 1, 2015 or November 1, 2015 as applicable. Adopt resolution 10106 setting the Scottsdale fire department fee schedule effective July 1, 2015. Adopt resolution 10125 setting city of Scottsdale community services division schedule of program charges, rental fees and fines effective July 1, 2015. Adopt resolution number 10115 setting WestWorld rental rates and fees effective July 1, 2015 and adopt resolution 10124 setting the planning and development

services rates and fees scheduled for the wireless communications facilities and the planning and development division effective July 1, 2015.

Councilmember Korte: Second.

Mayor Lane: We're then ready to vote. All of those in favor, aye. Opposed, nay. All votes are in now. It is 6-1 with Councilman Phillips rejecting. All right. Thank you very much, Mr. Nichols. We tried to make that as painful as possible.

City Treasurer Jeff Nichols: It didn't hurt too bad.

ITEM 22 – PUBLIC HEARING ON AND ADOPTION OF PROPOSED FISCAL YEAR 2015/16 BUDGET (TENTATIVE BUDGET)

[Time: 03:10:40]

Mayor Lane: We'll move on to our next item which is item number 22. Public hearing on adoption of proposed fiscal year 2015-2016 budget. We have Judy Doyle here. Thank you very much. Welcome.

Budget Director Judy Doyle: Good evening, Mayor and council members. Tonight is the adoption of the fiscal year 2015-2016 tentative budget. Which will set the city's maximum expenditure limit. The tentative budget sets the expenditures at a level that will provide you with the greatest flexibility permitted under the state law. On June 2nd which is the date we have slated for the final budget adoption, you may reduce or reallocate the expenditures but you will not be able to increase them at that time. As noted on April 14th, the proposed budget, the city manager brought forward was balanced and incorporated council's priorities and direction that we had received from you during various budget discussions.

Tonight's presentation will walk you through the significant changes that we have had from the proposed budget that was released on March 17th and shared with you on April 14th. First beginning with the current fiscal year, the '14-'15 budget, we have a summary of the general fund sources and uses. The first column includes what we had slated in the proposed budget. That middle column is what's been included in the tentative budget. And then the difference. On the following slides, I'm going to walk through for you in detail what makes up that additional \$900,000 in sources and then the reduction in uses of \$700,000.

So beginning with the adjustments to the sources. Sales tax. For the tentative budget, we did have our sales tax team go back and review our sales tax and they have proposed and recommended an increase of \$1.3 million or about 1%. That is based on some of the increased activity we're seeing in construction. We're also seeing increased activity primarily in automotive and restaurants which Jeff Nichols, our city treasurer has been sharing with you monthly during his financial updates. Also, miscellaneous. We have a reduction of 500,000 related to the sale of our buildings. If you recall, we had slated over two fiscal years, a plan of a number of city buildings that we plan to sell. I've put together a slide for you if Brian could put that up. It will highlight our original plan over the two years versus what has actually

happened. The McKnight Building. We thought we would receive \$1.5 million of one-time revenues. We received \$3 million. Our HR building, we had assumed \$1 million of one-time revenues. Last council meeting, you authorized the sale at \$2 million. Community Design Studio, that was part of our original plan. We no longer have intentions of selling that building. And the graphics building. We originally had forecasted \$3 million. Appraisal came in at \$2 million. Overall over the course of the two fiscal years, we do anticipate receiving an additional \$500,000 as it relating to the sale of the buildings. I will remind that you this one-time revenue was slated to transfer over to our capital program.

Just because of the timing in '14-'15, we'll see a reduction in the miscellaneous revenue. So moving on to the uses in the current fiscal year '14-'15, we are seeing a reduction in our debt service expense related to the recent refinancings that we had. Then that CIP, this is the general fund money that we send over to our capital program. I mentioned we had a reduction as it related to the sale of the buildings. But it was offset slightly by the increase in sales tax that we had. If you recall, we have a financial policy that requires us to transfer 25% of construction sales tax. So we saw a slight increase of \$100,000 relating to that.

So moving on to '15-'16, again the first column identifies what was included in the proposed budget. The middle column is the tentative budget and then again the differences. I'll walk through the details the differences. An additional \$1.4 million as it relates to the sources. An increase of \$1.8 million on the uses side. The adjustments to sources, I mentioned the sales tax forecast. When we revisited that, we went ahead and made that increase over the five years. In '15-'16, we're realizing an additional. On April 14th, the date we released the proposed budget, we had received updated estimates from the Arizona League of Cities and Towns, this is that additional \$600,000. WestWorld, on April 14th, we committed to going back and taking a look at our WestWorld revenues and we did reduce them \$500,000 to get more in line with the marketing contract. The marketing contract had reduced revenues in the first couple of years but had increased it in the -- out three years because some of the longer lead times on some of the bookings. The property tax 2% allowance, you gave us direction to eliminate that from our proposed budget. Then the miscellaneous sale of the buildings that I just walked through resulted in additional \$1 million from the proposed budget in our tentative. Overall, an additional \$1.4 million we've added in revenues for '15-'16.

On the uses side, we added \$600,000 to the city treasurer's budget. If you recall on April 14th, I indicated we had received our city's cost for tax audit services from the department of revenue. This is that \$600,000. Community and economic development, we did go back and take another look at the staffing needs at WestWorld with the expansion of the Tony Nelson Equestrian Center. We modified of some their part-time staffing that resulted in additional \$1.1 FTE and almost \$100,000 in funding. Transfers out again, we were able to reduce that due to the recent refinancing. That transfer out for the CIP paygo as a result of the sales of the city buildings and a slight increase for the construction sales tax as a result of that increased forecast. So overall, our expenses on the uses side went up \$1.8 million from the proposed budget. When we look at the ending fund balance at the end of '15-'16, we will see about \$1.1 million additional in the unreserved fund balance.

We did also have some changes to our capital program. As I mentioned, those paygo

transfers. And we also added \$20 million in contingency for the bond program that council authorized us to go to the voters with. Obviously this is budget authority only. The funding would come from bonds if approved by the voters. And then \$1.5 million we did not budget authority for the Cultural Council request. Our city manager during that discussion indicated that we would wait and see how the current '14-'15 fiscal year end and would come back with a proposal for you. We wanted to have the budget authority in there if needed.

And Dan worth actually wanted to come up and share with you some changes that are not included in the tentative capital budget but will be included in the final budget. So I can turn it over to him or I can take questions. It is really your preference.

Mayor Lane: Thank you. I think we'll go ahead and let Mr. Worth continue on.

[Time: 03:20:45]

Public Works Director Dan Worth: Mayor, members of council, if I could have the Elmo, please. About a month ago, I showed you a similar slide. The difference between that slide and this one is the slide a month ago had more projects and more numbers and if you look down at the bottom, it had negative number for cash balance at the end of the year for fiscal year '16-'17 and for all years following that. What we are intending to do as Judy mentioned between the tentative and the final budget is we're going to remove the projects that we can't afford to pay for or that we have not yet identified a reliable source of funds to pay for.

This is in response to a couple of things that have happened. One is your direction to us to prepare for a possible bond election. We had projects included in the proposed CIP that are now on the list for the proposed bond election. It is misleading to have them on the CIP while we're asking for bonding from our citizens. It is especially misleading when we recognize we don't necessarily have the funding stream to pay for them. And that's the second thing that we're taking into consideration because that practice just breeds confusion.

So the projects we've taken out, we've taken out in the general fund, the projects included on a proposed bond list. We've taken out expensive projection. The series of drainage projects in the area north and south of the freeway in between Scottsdale Road and Pima Road. That's about a \$22 million reduction, \$11 million of which is general fund. Those projects are still going to be on our list of high priority requirements. They're still going to be put into the prioritization process when we develop next year's proposed CIP. They'll still be there for us to look for alternative sources of funding forum. But we're not going to present them as though we have the funding identified for them. That should make it a lot simpler and a lot easier for the public to understand.

Similar on the transportation fund. The slide I showed you a month ago did not show the negative number in year two of the CIP. The negative number appeared downstream in year six off the right end of this chart. But we had the same concern. We had projects in here we're now asking for the citizens to bond for. We felt that it was confusing and counterproductive to list them as if we had the funding for them in the CIP. We've removed them. While we have a declining cash balance, it remains more healthy than it did when we

had the projects included. So if you have any questions about these changes to the CIP, I would be happy to address them. Otherwise, I'll turn the microphone back over to the budget director.

Mayor Lane: Thank you, Dan. I have no questions from any source right now. Thank you.

Budget Director Judy Doyle: I just wanted to conclude with the remaining budget are review schedule. June 2nd will be our final budget adoption. We can reduce the expenditure limit but we would not be able to increase it at that time. Then on June 16th, we will have our final adoption of the tax levies.

[Time: 03:24:44]

Mayor Lane: Okay. Very good. We do have a question or comment from Councilman Smith.

Councilman Smith: Thank you, Mayor. First of all to Dan and it is not a question but I do think the capital schedules and the way you're showing the general fund capital spending plan is far more informative and straightforward for the voters and it does eliminate the confusion of the amount -- if you can do it in the general fund, request are you asking us to pay for it? When in reality, we're trying to say we can't do it. We go negative. I commend you. I think this is a far more transparent appropriate way to show those capital projects.

Back to you, Ms. Doyle. You said you've reduced the WestWorld sales by half a million dollars from what you had in the proposed budget. I think the proposed budget increase was calling for something like \$1.5 million increase in sales or \$1.6 million so it is now down to \$1.1 million. If you recall back to when we last talked about this, the comment that I made was with reference to this big, thick operating budget about having looked at the WestWorld predictions in here. They had a very modest number of increased days of activity. Whether it was equestrian events they were going to rent the facilities out for or special events, either way, it was a 2%, 3% or 4% increase. While I'm not trying to whittle down the numbers anymore, it still seems like a very aggressive plan that does not jive with what they put in the operating budget as their objective for numbers of days. Are you looking at it or something because if you are, it is on page 134. But did they -- did they try to reconcile these two numbers as you talked to them?

Budget Director Judy Doyle: It was my understanding, yes. They did reconcile those.

Councilman Smith: Okay. The second question -- I assume this budget still has in it a \$1 million allowance for additional overtime for the police department. Is that correct?

Budget Director Judy Doyle: Mayor and members of the council, that is correct.

Councilman Smith: That number is both base pay as well as the associated fringes for that.

Budget Director Judy Doyle: That is correct.

Councilman Smith: Would that extra \$1 million budget give them a budget equal to what they've spent? Is that the strategy?

Budget Director Judy Doyle: Mayor and Councilmember Smith and council members, yes. The police department went back and took a look at their historical usage over the last five years and this will bring them in line with that.

Councilman Smith: I would observe this is a strange way to deal with a variance. If somebody blows through their budget by a million dollars one year, you slap their hand and talk to them and they come back the next year and they blow the budget by a million dollars and you slap their hands and talk to them. The third year you figure we can just give you an extra million dollars. I don't know what the problem is. I don't know why there's this much overtime but it seems to me to be an odd solution to a problem to just say we're going to paper over it with another \$1 million of money. I didn't understand it when it was first presented. I still don't understand it. I don't understand -- I don't know whether we have a management problem that we cannot manage the overtime or whether we have frankly a council problem that we're creating situations that demand overtime above and beyond their ability to control it. And I know the city manager has an audit that we're going to do and all of this. But in the meantime, while we're auditing it, we're chewing up a million dollars of spending authority of budgeted money. I guess all I can say is that's not the right way to budget. It is not the right way to get control of this expense if that's what we're trying to do. If we're not trying to get control of it, that's a good strategy. Just keep throwing money at it.

A third question...You told me that the sales tax staff looked at the sales tax -- local sales tax for the general fund for this current year and they deduced that it should be \$1.3 million higher and then they looked at the budget for next year and they deduced it should be \$800,000 higher. More than what was included in the proposed budget.

Budget Director Judy Doyle: Councilman Smith that is correct.

Councilman Smith: So this year's actual goes up by \$1.3 million. Next year's prediction goes up by \$800,000. Why didn't next year go up by at least \$1.3 million if we're moving the whole baseline up. This year is going to be better but it is not sustainable?

Budget Director Judy Doyle: It is my understanding the current fiscal year did include some one-time as it relate to the Super Bowl.

Councilman Smith: That was not unknown three months ago, was it?

Budget Director Judy Doyle: Well, it came in better than had expected. When we had put the proposed budget together.

Councilman Smith: I think my final question and I probably already know the answer to this -- I know when we move to adopting the tentative budget and eventually the final budget, we're only going to be look at one year, the year '15-'16. We have four additional years that

we forecast. You didn't -- it is a question. Did you make any change to the out years? The four years beyond this budget? And do we ever see those printed and disclosed or is that something that we don't talk about anymore?

Budget Director Judy Doyle: Mayor and members of the council, it will be included in the final budget document. The changes I had indicated here for '15-'16, the sales tax for example did increase all five years related to that most recent review. The state share of revenues trickled out into the out years. WestWorld, we did look at the marketing contract over the five years and adjusted and synced that up accordingly. Property tax, we also eliminated the 2% that was assumed in the five years.

Councilman Smith: So you do roll these things out into the five future years.

Budget Director Judy Doyle: Correct.

Councilman Smith: My follow-up question and I probably know the answer to this. Did you make adjustment in the out years for the sales tax on food?

Budget Director Judy Doyle: Mayor and members of the council, no, we did not.

Councilman Smith: I would remind staff and the public, when we discuss this topic back on February 24, I think there was a consensus among council members, those who spoke to the issue that the food tax was the most regressive tax we have in the city of Scottsdale. I think there was a concern with what the state might do on sales tax on rentals and that has now been resolved. The sales tax on rentals is a bill that died in the legislature when they adjourned. There was a concern of what the state might charge us for administering the sales tax audit. That's a whopping number of \$600,000. There was a concern of what other communities are going to do about food tax. The current reality is more than half of the citizens of Arizona do not pay sales tax on food. More than half of the citizens of Maricopa County do not pay sales tax on food. The city of Scottsdale for all of its leadership has lost the opportunity to be a bold leader in this whole issue of eliminating sales tax on food. The only position open to us right now is maybe we can be an enlightened follower. The minutes from the February 24 meeting that summarized our discussion and were distributed to the public said there was general consensus not to make changes for fiscal year 2015 and 2016 but to look at the issue as part of the budgeting process. I'm just observing that we apparently did not look at this as a continuing part of the budgeting process. Thank you, Mr. Mayor.

[Time: 03:34:50]

Budget Director Judy Doyle: Mayor and members of the council, our interpretation of the discussion was that we would revisit the issue in the future years so we did not include it as part of eliminating the food tax in years two through five. When we have those future discussions, we will look at purifying, if you will, that estimated amount to ensure that the food tax is, indeed, for home preparation. Grocery stores also tax on newspapers, liquor, tobacco, et cetera so we want to be able to identify specifically what the food for home preparation tax is estimated at.

Councilman Smith: My follow-up comment is if we wait until next year, we're quite likely going to find ourselves in the same situation we find ourselves this year and have for every year the city has existed until we finally affirmatively do something to predict and plan for the elimination of this sales tax. It will never happen.

Mayor Lane: Thank you, councilman. Just to be perfectly clear with anyone who is listening to this conversation, I think it is really important that we always recognize the fact that the city of Scottsdale has had this tax for a long time. We may be somewhat unique in exercising a tax on food but we've had it for a long time. It specifically is a tax on all food. What we're talking about eliminating is that food consumed at home, purchased for consumption at home and how that's defined specifically somewhere in that range of things, not restaurant-delivered food. Just so that we're clear as to where that is intended to be. With that, Vice Mayor Milhaven?

Vice Mayor Milhaven: I would like to thank staff for the thorough and thoughtful work they've done on the budget and make a motion to adopt ordinance number 4206 as presented establishing the tentative budget for full year 2015-2016.

Councilman Phillips: Second.

Mayor Lane: Motion has been made and seconded. Would the second like to speak toward it? Okay. Assuming there is no further comment, we're then ready to vote. All of those in favor, indicate by aye. Those opposed with a nay. It is unanimous acceptance of the motion. I appreciate that presentation and your explanations. And I, too, would like to thank staff. Even you, Mr. Nichols. Just teasing. Thank you very much for your presentation and of course I know you're back at the podium. I'll give you another thank you when you're done with this.

ITEM NO. 23 – MONTHLY FINANCIAL UPDATE

[Time: 03:37:54]

Mayor Lane: Monthly financial update. Mr. Nichols?

City Treasurer Jeff Nichols: Mr. Mayor, members of the council, monthly financial update as of April 30, 2015. Starting off, fiscal year-to-date, we'll skip over the sales tax category. We'll dive into that deeper but some of the variances I want to point out to you about the middle of the page you'll see other licenses, permits, fees, 21% variance. I've gone over this before. It has to do mostly with items that were not budgeted because they just weren't thought of when we were preparing the budget 18 months ago or 12 months ago, whatever it was. Related to the WestWorld facility. We did fail to budget even though -- because we didn't have agreements with the Arabians or the Arizona quarter hours association, the other groups, we didn't have agreements with them at the time so we didn't budget for the revenues. We have received the revenues from two of those organizations. We have some receipts from the PMT ambulance contract we received this fiscal year that we earned last fiscal year accounts for about \$300,000 of that.

In the miscellaneous category, what I would like to point out is a lot of what you're seeing there, the 38% variance or \$2.6 million is rather large. It has to do with a lot of our rental properties if you will. We have \$400,000 favorable variance in property rental of sky song. If you recall, Mr. Worth restructured that contract again because of when it was done and the timing. It wasn't budgeted for. We have a favorable variance related to the Palomino library intergovernmental agreement that we received \$100,000 for. And we have some miscellaneous recovery of expenses if you will. The other thing that I'm looking in this category, we did have as Judy had pointed out earlier, budget for the sale of the McKnight Building. We sold the McKnight Building for considerable amount more than what we had budgeted so that's creating a favorable variance in this category. Going down to building permits, happy to say that we continue to enjoy a fairly sizable variance in this category. It still relates to mostly multifamily housing but the addition of the pickup in the single family housing market as well.

Going on to the 1% sales tax category, to Mr. Smith's point, we tend to budget fairly well. I believe staff does a fairly good job in this area. We do make adjustments. Some things, you don't know. I would point out the tourism entertainment hotel lodging and miscellaneous sales, that area, we used our projections based on the 2008 Super Bowl and what we're being told is this Super Bowl this past year may be because of the TPC and the Super Bowl and the pro bowl being altogether generated a lot more excitement, a lot more revenues from the city in that category that we enjoyed there. The other thing is under the business category of construction, the 11% positive variance or \$1 million as accounted for related to the construction. People buying the construction materials to build those homes that they're getting permits for. We're seeing a favorable variance in that category as well.

If you look, general fund sales tax year-over-year change. You see for the month of April, we're down to only 1.5% above last April. What I would like to point out because you see this -- the bar graph for each and every month, we're approximately 6% year-to-date when you compare actual to actual fiscal year-to-date. This revenue category is up about 6% this year over what was budgeted. Starting to look at the operating fund use by category, again, we talked about these, some of the salary savings are related to police. We've had a lot of retirements. They're filling those positions that I lower level than budgeted. The overtime calculation there are the unfavorable variance relates mostly -- almost mostly to police and fire. What I will point out later in the presentation is that we have made an adjustment and we've transferred the costs related to the Super Bowl into a separate cost center. I don't know if you recall I mentioned last month on purpose, we did not budget for those expenses. It was -- the plan all along was to pay for the amount of contingency. We didn't know exactly what they would be. They ended up being much more than we thought they would be. That's under audit. The other variances in there are slight. If you have any questions on any of them, I would certainly address those.

Going on to when I look at operating uses by division, again, you see quite a few variances, I call it clutter on the radar screen so to speak. When you look at the bottom line, I mean our actual versus budget favorable variance of only \$400,000. Some was controllable. You look in the middle of the page, you see a \$500,000 negative variance there. That's the transfer of

those overtime costs from police and fire relate to the Super Bowl. It is related to community and economic development and there was no budget there for it. That's what's driving the negative variance in that division. Some of the other divisions we have talked about previously.

Looking at general fund sources, our year-end estimate. This is a new slide we're showing you. What this shows is the changes that have been made again between the approved budget which again you approved this budget last June. And the forecast which is in the tentative budget. So the increases you're seeing, the favorable variances, the favorable variances in building permits, this is our estimate of where we'll be at the end of the year and you see a \$5.3 million favorable variance in the general fund sources. And in general fund uses, year-end estimate again going back from what you approved in June 2015 for this fiscal year and comparing that to what's been forecasted and used in the tentative budget adoption, you see the changes there. There aren't many. As a matter of fact when you look at the bottom line, total operating uses, we're adding approximately \$200,000 to the budget that was brought forward in '14-'15.

When we look at general fund results, year-end estimates from the approved budget to the tentative adoption, you're seeing a positive variance of about \$5.5 million. The majority being new sources. I would like to remind council, too, budget at some point in time has to pick a date and they need to have a date certain and then we have those estimates. Once that's done, we do have some adjustments and we don't make those adjustments as we go along. It would be like hitting a moving target. That's why you're seeing some of the minor adjustments in the estimates. When I show the final year-to-date summary, you'll see sources -- we see the favorable variances of approximately \$10.5 million and to get back to a discussion we had before in that fiscal year '14-'15, we think the change in fund balance that will have approximately \$19.8 million available. With that, I would be happy to take any questions council may have regarding the April update.

Mayor Lane: Thank you, Mr. Nichols. It is always a comprehensive and well-presented report. Frankly for the most part, very favorable. That always makes it easy. I don't have any particular questions. I see none from the council here. I think you've covered it. Thanks very much for that update. And information.

City Treasurer Jeff Nichols: Thank you.

ITEM NO. 23A – REQUEST TO AGENDIZE A DISCUSSION ON THE ESTABLISHMENT OF AN ENTERTAINMENT DISTRICT IN THE DOWNTOWN AREA

[Time: 03:47:07]

Mayor Lane: That completes the last item of our regular agenda. We do have a Mayor and council item. A request to agendize a discussion on the establishment an entertainment district in the downtown area. I think this is something -- I'm sorry. Councilwoman Korte, you brought this forward. This is one of the things where we vote on it without much conversation. But if you could just in a nutshell, give us a little bit of a flavor.

Councilmember Korte: I will be brief. Historically, we've had districts in our downtown area whether it is main street or 5th Avenue or Old Town and those were typically around improvement districts that were formed specifically for marketing efforts. That was years ago. Those went away. We know -- so several people from -- residents, citizens have come to me and said you know, entertainment district, where are the boundaries? It is ill-defined. So perhaps -- then on bringing this forward because of those questions. And perhaps it is time that we better define what the entertainment district is. It is in transition. We know that. What are the boundaries? And many of the bars and owners have shall we say hijacked the old town moniker and using old town to describe the entertainment district. So I'm just looking for discussion. If there would be a willingness on the council to direct staff to discuss this because I think it perhaps has -- would have a positive impact in putting some focus to that area perhaps with those synergies of focus, we could better improve the pedestrian safety factors down there. Perhaps apply unique lighting to make it safer for our visitors and our residents that are going to be living down there. That was the concept is to have the discussion.

Mayor Lane: Let me caution because we have some specific rules as it relates to items we would want to agendaize. Just a sense as to what kind of direction you're looking for. We can consider whether or not this is of topic of discussion but this isn't to be discussed here and now. I'm saying that for everybody.

Councilmember Korte: Correct.

Mayor Lane: You did exactly what I asked. Basically to give that outline on it. On the basis of that, I would say and Councilman Phillips, clarifying point I suppose but not begetting discussions as to what form this would take. That would be for the agenda item when it comes to us. If there's something that you need to -- get a clarifying from what's intended here. I know it is squishy ground. That's the way we have to deal with it. If you have a question along that line, please go ahead.

Councilman Phillips: Thank you, Mayor. This is a novel idea. When I was a private citizen, I brought this to council. I got on the council, I brought this to council. Other people have brought this to council and never seem to give the council support. Maybe now that Virginia Korte is bringing it up, we will get support. You do have my support.

Mayor Lane: That's what I'm saying. This is to bring it to the agenda so we can discuss it. We're asking really that staff would be in a position to consider some of the options on some of the very things we're talking about here. But yeah, we're not voting on it here. We're not even indicating whether we have support or not. We don't know exactly what it is yet. Appreciate your observation on that.

Councilman Smith: We can vote on whether to agendaize it.

Mayor Lane: I don't mean to be so restrictive in the comments but it is an area that's fuzzy for us. Nevertheless, if your motion is then you would like to put this on the agenda, why don't you try that first.

Councilmember Korte: Thank you, Mayor. I move to place discussion around the entertainment district on the agenda on a true council agenda.

Councilman Phillips: Second.

Mayor Lane: Motion is made and seconded. Unless there's any further comment, as restricted as it might be, go ahead and vote on it then, please. All of those in favor, please indicate by aye. Those opposed hit nay. The direction then is we get something along this line of some consideration of ideas. Specifically to the entertainment district. Okay. I do believe that -- it won't work as long as the vote is up there. I'll listen to you now.
Councilman Smith?

MAYOR AND COUNCIL ITEMS

[Time: 03:52:77]

Councilman Smith: Mr. Mayor, thank you. I also would like to request to agendize the discussion for future council meeting. I would like to agendize a discussion where we might give direction to staff for the inclusion of a maximum dollar limit for the disposition of real property pursuant to section 2-221-B5. I would be happy to explain that if you want.

Mayor Lane: If that's your motion, obviously it was a topic of some other discussion earlier. So I think there is at least a feel for what you're talking about there. That's your motion. If there is a second?

Councilman Phillips: Second.

Mayor Lane: A motion and a second. Seeing no further comment on it. Those in favor, please indicate by aye. Opposed, nay. Motion fails 4-3. It is on the board.

ADJOURNMENT

[Time: 03:53:28]

Mayor Lane: I think then with that, I think I would accept a motion to adjourn. I think we're ready. Moved and seconded. Somehow or other. Thank everyone for participation this evening and for hanging with us. And thank you very much to staff.