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**CALL TO ORDER**

[Time: 00:00:00]

Mayor Ortega: Hello. I call the February 21, 2023 city council regular meeting to order. City Clerk would you please conduct the roll call.

**ROLL CALL**

[Time: 00:00:12]

Clerk Ben Lane: Thank you mayor. Mayor David Ortega.

Mayor Ortega: Present.

Clerk Ben Lane: Vice Mayor Kathy Littlefield.

Vice Mayor Littlefield: Present.

Clerk Ben Lane: Councilmember Tammy Caputi.

Councilmember Caputi: Here.

Clerk Ben Lane: Tom Durham.

Councilmember Durham: Here.

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FEBRUARY 21, 2023 REGULAR MEETING AND WORK STUDY SESSION  
CLOSED CAPTION TRANSCRIPT**

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Clerk Ben Lane: Barry Graham

Councilmember Graham: Here.

Clerk Ben Lane: Betty Janik

Councilmember Janik: Here.

Clerk Ben Lane: Solange Whitehead.

Councilmember Whitehead: Here.

Clerk Ben Lane: City Manager Jim Thompson.

Jim Thompson: Here.

Clerk Ben Lane: City Attorney Sherry Scott.

Sherry Scott: Here.

Clerk Ben Lane: City Treasurer Sonia Andrews.

Sonia Andrews: Here.

Clerk Ben Lane: Acting City Auditor Lai Cluff.

Lai Cluff: Here.

Clerk Ben Lane: And the Clerk is present. Thank you, mayor.

[Time: 00:00:39]

Mayor Ortega: Thank you. We have with us Scottsdale police sergeant Sean Ryan as well as firefighter Jasmine Powell. If anyone needs assistance, also the restrooms are up and to the left at that opening. At this point we will begin with the Pledge of Allegiance. I call upon councilman Durham.

Councilmember Durham: 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.

Mayor Ortega: So at this point, I do want to call our attention to the war in Ukraine, and remember that their sacrifice and fight for freedom and democracy is going on, so I'll ask for a moment of silence for the people of Ukraine.

Thank you. As a reminder the Scottsdale Arabian horse show is in progress there at west world, there are 2,400 contest tenants from all over the world, and amazing programs. Really a great family time, and it will run through Sunday, February 26. Also spring training is back, and we are ready, willing and able to

greet other teams as they come to Scottsdale stadium, the home stadium for the San Francisco giants and the opening day is Sunday, February 26, and as I say, play ball, right? Now, in the case it's next we will have a presentation by the LG twins, the Korean baseball organization, I'll ask Chris Walsh, park and recreation manager to come forward.

Chris Walsh: Good evening mayor and council, my name is Chris Walsh. Thank you for Lee allowing me some time the highlight or partnership in the realm of professional baseball. As we all know the valley is home to the cactus league and to you are our long standing partners the San Francisco giants.

The beautiful weather and city draws attention from all around the world N. early 2018 we began discussions with the LG twins on their desire to host spring training here. In 2020 we executed a three year agreement with two one year renewals that will allow them to use the clubhouse with two and a half fields that. Agreement came with one year options to renew. The past couple of years obviously has been very challenging with COVID and prevented the team from traveling to our city for the initial two years of the contract. However we've continued with perseverance and patience and we have them here.

Our department is proud of the relationship. We are working toward an extension of the contract and hope to continue this international endeavor. I have with me here tonight from the LG twins CEO Kim, general manager, CFO and starting pitcher Casey Kelly who also happens to be a resident of Scottsdale so he appreciates getting to spend extra time with his family here in Scottsdale. I believe they have some jerseys they would like to present and maybe a photo opportunity.

Mayor Ortega: Sure. Let's come forward.

Chris Walsh: Thank you. And if you all -- anybody else would like to come down there's jerseys for everyone.

[Time: 00:05:41]

Mayor Ortega: Our city of Scottsdale procedures include that during tonight's meeting, the council may make a motion to recess into executive session to obtain legal advice on any applicable item on the agenda. If authorized by the council the executive session will be immediately -- will begin immediately and will not be open to the public. If that happens the public meeting will resume following the executive session.

Also I know we have full house here but our council rules of procedure say that citizens attending city council meetings shall observe the same rules of order and decorum applicable to members of the council and city staff. Unauthorized remarks or demonstrations from the audience and other demonstrations shall not be permed.

Violation of these rules could result of removal of the meeting by security and helps the meeting go faster and more efficient for everyone. We will now go into public comment. Public comment is the community for Scottsdale citizens, Scottsdale business observers owner and/or rot property owners to comment on non-agenda items that are within the council's jurisdiction.

Advocacy for or against a candidate during a council meeting is not allowed pursuant to state law and therefore deemed to not be within the council's jurisdiction. No action can be taken on items that are not on the agenda.

I'm looking at the Clerk, there are no requests for public comment so at this point I close the public comment, that would be anything applicable that is not on the agenda. Our next item is item number one, item number one satellite is the consideration of the temporary water supply intergovernmental agreement, IGA. The presenters are Brian Biesemeyer, water resources executive director and Jim Thompson, city manager.

As we go through the process there will be an opportunity for public comment, but the presentation will begin with our staff. Please proceed.

**ITEM 1 – TEMPORARY WATER SUPPLY INTERGOVERNMENTAL AGREEMENT (IGA)**

[Time: 00:11:06]

Brian Biesemeyer: Thank you mayor and council, Brian Biesemeyer. Scottsdale water executive director, and I have a short presentation on a possible intergovernmental agreement with Maricopa County for temporary water supply for Rio Verde foothills.

Flying blind on the display in front of me so we'll go from there. A little background, Rio Verde Foothills is not serviced by Scottsdale water, we don't have pipes going out there, we don't offer standard utility service there. They are however -- they get their water either through wells or hold water and we have allowed water haulers to take water interest from a fill staying but it's the water haulers that are our customer not the residents. As a result water resources reduction, as a result of the tier one shortage on the Colorado river, and then now a tier two A shortage on the Colorado river, the fill filling station was turned off to nonresidents as of December 31, 2022.

That action was based on Scottsdale drought management plan as adopted by council. Just a background on notifications because I know there's been some information out there that I don't think clarified the notifications that Scottsdale gave to folks in Rio Verde Foothills as well as elected leaders.

So discussions about water hauling out there have occurred at least to my knowledge since 2015 and I've met with different groups about water hauling in the foothills and have continued to place an emphasis on the fact that the long-term -- Scottsdale is not the long-term solution for water supply. In 2020 a letter was sent to representative Kavanaugh and Maricopa supervisor in May of 2020 that expressed the same concerns and stated that should Scottsdale water supply be reduced as a result of Colorado River shortages, the foothills would also be subject to being -- our service would be reduced to foothills.

Then in August of 2021 the city manager authorized a state one of our drought management plan as a result of our cut backs of the river supply and in October of that same year we notified our customers out there which included water haulers and there were a few individual folks that hauled water with their own vehicle or trailer but it was predominantly the water haulers as our customers were notified in

2021. And then so that was 14 months before the water was turned off, and again in August of 2022 another notice was sent to our customers.

And these are the critical elements that we believe should be in IGA, with Maricopa County so these are the backbone elements the staff believes and the purpose of this presentation is to get council's approval and discussion. So theist if it's a temporary agreement for the county to act op an emergency basis to provide water to foothills.

The second is the contract is only with the county, they are the representatives for those folks in that area. No city poet responsibility after delivery of water-to-water haulers so we would only allow certified water haulers to taken water and then our responsibility ends when we deliver that water into the trucks. County must attempt to build a moratorium as allowed by state law. Contingent on the city's obtaining water resources so the -- the agreement would be contingent on our getting additional water resources so we're not taking from our own portfolio of water resources.

The city will supply no more water than we have historically provided so in 2022, we provided 126-acre feet of water and that's the highest we've ever provided, it's been slowly going up over the year but that's the highest we've provided so that's 126-acre feet. We would only have a single customer and that would be the county.

Obviously we would be able the give the county a record of each of the water haulers that were working for the county but we would have a single customer, that we've got your back the county. If our access is constrained in anyway we could constrain the water liver deliveries to the foothills and we would then reduce the water deliveries to foothills. The county would pay the city a thousand dollars per month as a base fee and 21, to five per gallons of potable water. This includes the new water cost of acquiring that water.

It's an estimate, we're still talking to several providers so that's our estimate, but it includes that cost and includes treatment and transportation as well as our lost water that we lose in part of transportation and through distribution, and the capital assets maintenance and replacement, so the replacement cost of that facility is also included in that cost.

[Time: 00:17:11]

Then we would also include a five percent annual escalation clause or should our cost go up past five per the actual cost and finally, we believe it should be a two year term with an optional third year. Again we are only the interim solution. The county suggested that before but whoever the final solution is this gives them time for that final solution.

So staff's recommendation is adoption of resolution 12758, and I won't read that -- the hole slide to you but it's for adoption of that resolution. And that ends my presentation subject to your question.

Mayor Ortega: Thank you very much. We have the opportunity to listen to the public so we have a list of ten people who are wishing to speak. I would like Alex McClaren then John [indiscernible] and then Doreen [indiscernible] and then you have three minutes maximum, if you can do that shorter. Secondly,

the second thing I would ask so if you could state your name, place of residence and also whether you're suing the city or not, I think that might be a little trivia that we should see. So proceed Alex McClaren.

Alex McClaren: Thank you Mr. Mayor, members, of the council, Alex McClaren 7624 East Osborne Road. I think I've appeared before you before on this issue. I would like to congratulate the city on working on this being flexible, and coming to some kind of a resolution. I think as Brian said this is an interim solution, which will help people over the hump, these two years which are a permanent solution in my view, the EPCOR solution is the best one but this will help people this the area, so I strongly support in and congratulate the council on doing this. Thank you.

[Time: 00:19:28]

Mayor Ortega: Thank you, next John Hornewer and Doreen Hornewer.

John Hornewer: Hello Councilmembers. This has been a community I've -- I apologize my name is John Horner. And I live in the foothills community and I have for the last 20 years. This issue -- the fact that it's been so politicized is just mind numbing. These are people's lives. I personally want to thank each and every one of you for taking that into consideration. That's why we're here.

This community couldn't have survived -- it couldn't have grown without you. It couldn't have survived without you. It can't survivor without you. I've been hauling water to this community for 20 years. I've watched it grow from infancy to what it is now. The wildcat development, I couldn't agree more. Things are out of control. We have to find a way to balance outgrowth and live within the mean of the water that we have and the water that we will have, the drought conditions. It's imperative that a solution is found very rapidly, and as a water hauler, I can't be any more clear than this.

In a very short amount of time people are going to the start running out of water. This isn't a oh the sky is falling, this is reality. My wife and I -- we work this business days a week, 365 days a year because water, you can't go without water. It's not possible. So to see what's happening right now is very concerning because in a very short amount of time the logistics of being able to to try and supply 50 million gallons a year becomes unrealistic without your help, the city of Scottsdale.

It just -- we can truck it in 24 hours a day seven days a week but without the city of Scottsdale, people are going to start running our water. Mayor Ortega, we're not asking for a Santa Claus, we know there's no Santa Claus and I really appreciate the efforts you've made to put this on the table. I personally feel that our board, our county supervisor, Thomas Galvin made the wrong decision and put it in your lap as he did and now the ping-pong games begin, and all I can say or asked from this point season on is please try and limit the match, okay.

I say I have 16 seconds. Left that's our clock. That really is our clock in this community, so please, get it negotiated with county as quickly as you can, and for county I know you're listening, come to the table and negotiate. Thank you.

Mayor Ortega: Thank you. Next we have Doreen Hornewer and Karen [indiscernible]. Then Cody Reim. So Doreen.

Doreen Hornewer: Thank you. We appreciate the opportunity to come before you. Mayor Ortega, council people, people. I just have a few things to say very short. My husband and I have been hauling water for I think 22 years. We moved out to the area in 1999 with a less than one year old and so it's a beautiful area. We love it. We were given the opportunity to be out there and we were all been entrepreneurs as I've stated in other talks, and we wanted to have our kids to be raised out in an area where there was open land, nature, and just space. And that area affords that to us.

[Time: 00:24:20]

In the meantime, we switched businesses to haul water because it was a necessity and we've been doing it as I said for a very long time. So we know how to do the bids business, and the city of Scottsdale, thank you has been a great proponent in us advancing our business.

With the distance we have to now haul water from, sure web hire -- have more trucks, hire more people but that's not the answer. The answer is to come to an agreement or a situation where we have a closer source of water that will boyfriend down the cost for all of our customers and the people that live in Rio Verde and we need to be able to have -- well, I can't do anything about the gas but at least we can have it closer to the people and at a reasonable cost.

The one thing I wanted to address in your proposal which I thought was very well thought out, you guys and I appreciate all the possibilities that you made, I just want to say in my personal and humble opinion there are some people in our area that can't afford hauled water and you would say gee why would you move there, right? As haulers we have a lot of compassion and we feel for people and we know how hard -- how much hard work you have to do to get money, so we always appreciate people who want to haul water, we never criticized or told them they couldn't have monitoring systems for their tanks because they haul themselves, they have that opportunity and they should have that right, so I'm here to say that I would like to see them have an opportunity to bring their cost to a more affordable place so they can continue to live in the area where we live, and that would be one of the things I would address and I would address in the points you presented.

Other than that I'm thinking that's the biggest appointment for me because I want everybody to have the opportunity for water. It adds a whole new dimension to the cost and we try to keep the cost down as much as we can. We work on this seven days a week, 24 hours a day and it's a sacrifice and I'm optimistic. But thank you very much for your time.

Mayor Ortega: Thank you very much. Next we'll have Karen [indiscernible] and Cody rhyme and Rochelle rhyme.

Karen Nabity: Hi. My name is Karen Nabity. My address is 13730 east cave dale drive Scottsdale, Arizona 85262. And that's only because I have a post office in Scottsdale. First thank you to all of you and -- huge thanks to Brian Biesemeyer, but his whole team has been awesome all of you have been awesome for the last four years working with our community, so we appreciate that.

Supervisor Galvin sent you all letter today recently and it stated that the important items for discussion are source of water, calculation of cost, limitation on transportation so I would like to make some comments on that. Source of water, I and other residents have worked trying to secure a source of

water for our community and we have worked with Brian getting approvals to move forward on a solution.

Unfortunately that solution was turned down by supervisor Galvin so now we need a solution within your document that says that if the tier gets worse or if you guys have limitations we could lose our source of water for the community that you would be providing so I would ask the source of water you get from us has nothing to do with the Colorado River so we keep getting that water because we know the next year and the next year it will just be getting worse.

On calculation of cost if there's any way that you could be reducing that that would be greatly appreciated and limb limitations on transportation. This one hits the hardest for me because I've heard from so many people. It states there's that cutoff daylight of January 3, the three and with that date we have residents that are already living in their home, like Melissa who just moved in in the last 30 days and to leave these people that in good faith have bought their own property or hired a builder to build their home for they will and leave them without water I don't see the harm in allowing the water to be spread among the community even if we have to take some conservations to make it work for our community. With that I thank you for listening and being here for our community.

[Time: 00:29:50]

Mayor Ortega: Thank you. Next we have Cody Reim and Rochelle Reim and Jessica Mehlman.

Cody Reim: Thank you council, thank you mayor, I believe that the next speaker donated the time to me. I don't know if the Clerk caught at a.

Mayor Ortega: You have one extra minute.

Cody Reim: I'll be very fast because I was prepared for six. I would like to thank everyone that had a role in this solution coming to the table tonight. This council city staff, and supervisor Galvin representative cook, senator Cavanaugh and representative -- we have a few serious concerns with the proposed solution when it comes to affordability.

The prior to January 1 and I realize that we won't get back to the old pricing but the pricing that is being proposed today is serial elevated in comparison to what were paying prior and it really won't necessarily affect the costs that we're paying now for the reduced amount of water that are coming in.

So prior to January 1, 2023 the cutoff date, the city was charging \$7 per 1,000 gallons or one unit of water, this included treating the water delivering it, and please teemed keep in mind the cost of the \$7 per unit to the customers was while Scottsdale was supplying its own water from its own portfolio. Under the new plan the water and its use not having a negative impact on Scottsdale's existing water will now cost \$21.95 per unit. What on earths could be justifying a 313 percent increase in cost.

The only comparable item in cost is the proposed long-term solution. They have estimated \$1,822,020 per university. Scottsdale's infrastructure is existing and the cost of obtaining the water has been removed so please justify this increase in cost. When determining cost AI please keep in mind those in



our community who are on a fixed income and cannot absorb such increase in cost that is being proposed today.

In regard to viability where exactly where will the water come from? I've seen the news and per that recent coverage mayor or Ortega's interview it appears the mayor believes the city can obtain water all 600icer feet up frontage front, both have stated this is to the possible. This seems it will cause the proposal to be a nonstarter without water the pull from. The mayor stated in the same interview that Scottsdale is not responsible for the foothills and were not the stepchild of Scottsdale. And that we are in fact wards of the county.

With that being said why does the mayor such a need and responsibility to control where and who the county on behalf of foothills obtains the water? The entities the mayor has been taking to obtain access to water in excess access of Scottsdale ice portfolio have clearly not panned out, there is still a viable water source the county could obtain water from, this source is EPCOR. I obtained a request, you all should have that document.

It addresses the EPCOR solution, it's a viable solution as of October. There's nor documents that are in the request that you do not have that I can get to you if you would like. I don't know what happened with EPCOR after it was presented to the city, and counsel members lather on in the following week commented stating that the EPCOR pathway seemed reasonable and seemed like a good plan. It appears this plan was not pursued further however.

With all of this I would ask the council please review the terms and cost of similar transport agreements that you have with carefree and taco hills.

Mayor Ortega: Thank you. Next we have Jessica Mehlman and Christy Jackman.

[Time: 00:34:37]

Jessica Mehlman: It's okay, it happens all the time. I'm Jeff Sessions can a mill man. My husband and I moved there about seven months ago, we're very happy out there. We love where we live. I want to thank the council for all their work to get us to this point and for allowing the residents of the foothills to speak on their behalf. My husband and I have learned a lot over the past several months and met some really wonderful neighbors.

Since December 2022, we have been collecting rainwater, flushing our totals toilets once a day and eating off of paraphernalia plates in order to sort of our precious water resources. It would be snow and ice to see residents in other communities take similar steps to conserve moving forward. I'm focusing my very brief remarks today on the wildcat building. In all of the chaos one thing has been very clear, anything to needing to secure water for our community we all agree that wildcat development cannot continue.

The residents of the foothills here hear you, we agree with you, we want to work on the same side of the table as you to ensure that unchecked building is curtailed. We need you the city of Scottsdale to work with us.

Mayor Ortega: Thank you. Next we have Christy Jackman and Wendy walker.

Christy Jackman: Hi. Thank you. Mayor and Councilmembers thank you for having us here tonight and for bricking this up. I do live in Rio Verde and I have mixed emotions on this but I'm grateful that we're at this point. We do need your help. A couple of the things that I would like to discuss, one is the cutoff date, the January 1, 2023 where you either need to I believe it's occupy your home and already be existing but my concern with that is that we completely have about 75 to a hundred vacant homes and if in that period of two years they are unable to sell those homes because there's no water we're going to have squatters, we're going to have vandalism, we're going to have theft increase, that could be quite a serious problem.

The oh thing I'm concerned about is the self-hauler issue. These folks have invested in trailers that they use and it does keep their water cost down. If there's any way the work that into this it would be good. And I'm confused about why we need to have the six hundred acre feet you have front. I suppose if it's possible that's great but it does seem like that might be escalating the cost of the water to the people in rivered because we're buying 50 percent more than we will get back.

I think that's about all I really have to say but mostly just thank you. I do appreciate you folks coming to the table and I do look forward to you working with our supervisor so we can get these families functioning again.

Mayor Ortega: Thank you, next we have Wendy walker and Jennifer Simpson followed by Casey reader.

[Time: 00:38:21]

Wendy Walker: Hi. I'm Wendy walker. I live in Roy have I had foothills, I've been in Rio Verde Foothills since July of 2020 with my husband, so we are relatively newcomer but not newcomers to the valley. I'm berating my 30th year of working in a fortune ten company that has a site located in Scottsdale. I love Scottsdale. With that I just want to say mayor and council women and Councilmember, thank you very much for number one having us, allow us to do public comment tonight and also to let you know that we really, really appreciate the proposal that you've put forth and your willingness to work with us.

The home that my husband and I bought is a water hauled home, and when we purchased that home it's an existing home since 2019 and western basically told that the water hauling would continue to go on, so it's a little bit of a surprise to us when it was cut short. That is one of the reasons we really appreciate that you're looking to take a look at this and come to the table.

We've looked at your proposal and I'm -- for me myself as a resident that's occupying a house I am extremely grateful and I'm grateful that the proposal that you've put forth. I just have a couple pieces, food for thought and I think Karen mentioned it so I'm going to stand behind and second that. As far as people that have -- that cut off period of January 3; we actually have a neighbor that is moving in a week or two that's three homes away from us, their dream home, they're coming from Chicago and they can't wait to be here and I have a feeling they think they're moving into extreme north Scottsdale but it is indeed the foothills, so they actually are not occupying it, their home was finished in February and there's several more people that are like that, can I would really appreciate it just for my neighbors if there might be a consideration or a contingency for specific situations like this, because again, like you

are, many if not most of the community at large in the foothills is very much opposed to this controlled activity that everybody is calling the wildcat building so we do like the fact that you have some level of restriction, we're just talking there are some contingencies.

The other contingency are people with Pell wells as their wells rub down so that's another consideration.

Mayor Ortega: Next we have Jennifer Simpson then Casey Reeder and Lee Harris is the last speaker that I show.

[Time: 00:41:43]

Jennifer Simpson: Hello, mayor Ortega and councilmembers. I am a 24-year resident of foothills, my address is [indiscernible] and I do have a well but I've been hauling water for 18 years. I want to first shrank thank the city for their continued support of our community.

I want to tell them that I appreciate their cooperation and communication with the residents of the foothills. All of that time. Scottsdale's participation during this time has been very much appreciated. There's been total cooperation from them. I'm very disappointed that we have gotten to this point, based upon the county turning us down for a very viable situation.

I also want to point out that I'm not one of the people suing you which you asked to converse about. All of that being said, I have a couple of key – first the most key item is your 1/3/23 date. We understand that you have to have certain dates within your parameters so that there is some sort of deadline.

I'm wondering if maybe the city and county can come to terms with something more if line with building permit by that date because we'll end up with many homes that are -- have been sold since that point or will be sold up to the point of the execution of the agreement, depending on how long that takes to negotiate. If that is something the city would consider would be very much appreciated.

We might have homes that sit empty for that term of two to three years, whatever it takes to get our final solution in play. That being said I thank you very much for your time.

Mayor Ortega: Thank you. Again Casey Reeder and Lee Harris.

Casey Reeder: Mr. Mayor, council. Thank you so much for your time and for all the time that you have put into addressing our issue in Rio Verde Foothills. My name is Casey Reeder, my address is 3137 north 16030 street. I've lived in Rio Verde now for nine years and I've been a self-hauler for eight years. My average monthly expense as of now is about \$80 a month which has been great.

But with this provision coming forward that self-haulers will not be able to get their own water I will be forced to use a commercial water holier and that might not sound like it's the worst thing in the word, actually it's not, but with the proposed numbers, my expenses will go from \$90 to \$1,500 a month. This is unacceptable. It's obscene can it's insurmountable. I can't do it. Please, please find it in your heart to take care of those of U.S. who are self-haulers. Thank you for your time.

Mayor Ortega: Thank you. Next we have Lee Harris. You have three minutes, thank you.

Leigh Harris: I am Lee Harris, I live in far northeast corner of the Rio Verde Foothills, before that I was a citizen of Scottsdale for 25 years, and I want to thank you Scottsdale, Scottsdale, Scottsdale, jump been with us for the last four years and we truly appreciate every that you did to make sure that we could become responsible for ourselves through our ownership government entity created by water district.

You supported every step of that and we are very sorrowed that didn't come through, where we could have water today. We've been living 52 days on rainwater and bottled water at our house. We haven't showered there for almost two months so we obviously are right there in crucible. We're wards of the county as you said Mr. Mayor and wisely so and we appreciate you are putting the chess pieces on the board that are accurate. We want the county to step up to the plate and taken care of us because we are their taxpayers not the city of Scottsdale taxpayers.

We truly appreciate all of you opening your hearts at least to talk. To propose what could be -- I don't know if it will be possible to put it forth, teen the ping-pong that John had brought up. But there are many of us who are suffering. And it's way more than 500 people. It's 500 properties but 200 more that are relying on wells that are dropping and there will be more as this drought continues can the drought takes away that water which once supported us from the city of Scottsdale as we imported it.

We are the ultimate consumers. We have no pipes. We cannot reclaim, we cannot recycle. We are children that want water but won step forward to take the adult part to secure it. And now we are here begging at your doorstep to help us. We are reliant upon the board of county supervisors to deal mainly with you and we hope that they will do so. But as Casey put forth there are innocents that will be caught up in this, and for that the county is also responsible.

Not Scottsdale. If it mean that they have to pass a tax on all residents of the county island that is the Rio Verde foothills and spread that cost to help indie gentles then so be it. We need to be responsible. Thank you so much everything you've done for us.

[Time: 00:49:12]

Mayor Ortega: Thank you. That concludes public comment, and I will clarify in response to some comments made by Mr. Ream, that is the characterization perhaps you did not see the press release today; it's sent out officially by the city. We had a three-day weekend and the press release stated that any third party source, I did mission speak, that's asked -- there may be others and whatever criticism you feel justified you need to look at that memo.

I'm just suggesting that you do that and any perpetuating of obstacle is recovered to the best we can because we want true custody of water, and the other point that I will make about public comment that has to do with the clause that was stated by AG Mayes, and talked about the emergency, health and otherwise to those living there at that time. We're not talking about speculators or somebody that moves in and becomes a future victim of the drought. We're talking about the urgency that was precipitated by answering directly through the county as a responsible party not for future speculators that built homes that are halfway done or three quarters way done that may have somebody waiting for

water and Eyewitness News using that future excuse, which would burden us trying to meet those that were addressed by the AG's memo.

The other thing I will state is that this is not a rate hearing. We are not a commission here to -- we have all the backup paperwork that's required in order to justify the exact terms can conditions that have been laid out. So once again I was not being unfair to you or anyone else and I don't know if there's a dead end in that clause that we're saying there will be a best effort in that manner.

Now, I also don't see any children here today and we have had children coming up to this key and smirking at us up here and I find that to have been a difficult thing to handle. I'm very glad we're all adults here and we don't have children carrying signs or doing that. That's that was also -- we did not have the ability until the AG's opinion said in fact that the jurisdiction that we can deal with is the county, not scattered recesses and so forth.

That's the duty that we have as caretakers to Scottsdale water. Our primary responsibility is to the 9,000 meters that we have connected to residents, businesses, hospitals, schools, that's my duty. I have also heard again just responding to some testimony, the fact that -- I think a tank holds what 4,000 gallons? Say 4,000 gallons, okay. So you know, that is \$84 worth of water. Plus delivery cost. So how things get extrapolated out but I have pipe water from Scottsdale water. So this is how we're rolling.

We're making the best effort deal with primary parties and we have questions at this point, and I'll have further comments but I want to be sure and respond to some of those comments that were made. At this point Councilwoman Whitehead and then councilwoman Janik.

[Time: 00:53:39]

Councilwoman Whitehead: Thank you mayor. I want to thank all of you who came today. I received so many e-mails from our constituents and from both sides of the border and so I really do appreciate it. I am incredibly pleased to be here and to reach the milestone that we're at tonight and while I agree there's no such thing as perfections, but with the passage we're going to fame take a big step forward towards getting Rio Verde Foothills a permanent water solution and that is something the community never had and I think that will be a relief for all parties.

So I'm very supportive of the plan. The agreement, it involves many many different government agencies. I think it showcases how well Arizonans work together and really for the benefit of real people so I think possibly the media missed the finer point of how well we work together but that's okay. But this agreement truly did balance a lot of needs. I felt blindsided by the county's decision not to move forward however that's okay, we're problem solvers.

Our city staff got right back to work and we continue to look at different options to chief achieve the three goals we needed to achieve which is of course to meet the objectives of our drought management plan and our obligation to our citizen to get water flowing to our neighbors and also toll close the loophole of unregulated development that got us here in the first place. NBC should buy a house in Arizona that doesn't have water. So today I think we're pretty darn close to going the first two objectives met. I do want to correct one thing that was out there in the media and that is that somehow this city council had an opportunity to solve the problem in October and didn't.

But we've made -- if there was a solution, we would have -- we would not be here tonight. There were a lot of ideas proposed really not even in writing, not the back of the napkin kind of stuff proposed in October. Everybody should be glad that city policy is dictated by a lot more rigor than talk about and our staff looked into every suggestion made and that one didn't pan out but this one did. So I really can't state enough that had there been a solution we wouldn't be here.

Be again here we are with something that I think will take a big step forward. Our staff would not put into an agreement lightly a commitment to water that we believe we can get and I guarantee you our staff considered price and security when they medal the decision to either go for the 600 or the 200 and our pricing structure is based on a number of exacter factors including not that we can purchase the water but the effluent with come back to us.

I do want to point out just -- I think everybody deserves a thank you. But I do want to point out two people in particular whose legal experience got us here tonight. Attorney Chris Mays and Luis Santaella, Scottsdale Assistant City attorney. Their expertise is impressive and helped bring all parties together. Of course I want to thank our city manager Jim Thompson and Sherry Scott, Scottsdale water director, all of us, my colleagues, the mayor, our colleagues on if county side and in the legislature.

I still -- our job is not done and all of you -- many of you mentioned it so we'll continue to work to close the loophole hole that hurt you and is hurting communities throughout the state but thank you all for being here.

[Time: 00:58:44]

Councilwoman Janik: This has been a very emotional difficult situation for all of us. Water is life. And now we really know that. And I want to say that I appreciate the state legislators for what they did. It was difficult. Some of the comments that were made were really nasty. On the other hand it focused on the immediacy of the issue and it got everybody together to come up with a solution. It's a perfect no.

It's a very good yes and as coin councilwoman Whitehead said more work needs to be done but this is a wonderful giant step forward. I want to thank our city manager Jim Thompson. He's done an amazing job representing us throughout these difficult negotiations. Brian Biesemeyer our executive director of Scottsdale water who we trust so much and appreciate all that he has brought to Scottsdale with his experience. I want to thank the mayor because he took most of the hits and that is very difficult role to play so thank you mayor for being steadfast, and my fellow Councilmembers have done an amazing am of work.

We have had a lot of time spent on this. We hope this is the prototype, regulation to start to begin to solve the water problem, not just for Scottsdale but for all the other cities in the valley and the state in general. So with that I would like to make a motion to adopt resolution number 12758 to authorize IGA number 2023-030-COS with Maricopa county for the treatment and provision of potable water for delivery to residents in the Rio Verde Foothills area in determination the provisions of water to the county following acquisition of additional well water supply is consistent with the city drought management plan.

Under the age two the city manager with the approval of the City attorney to execute IGA number 2023-030-COS substantially and form authorized by this resolution, number three the city manager and City attorney or their designees to take such further action and execute such documents as necessary to carry out the intent of this resolution.

Councilwoman Caputi: Second.

Mayor Ortega: I next we'll have Councilmember Graham and Councilmember Caputi, Durham and myself.

Councilmember Graham: There's not much more to add. I agree with councilmember Janik about how many arrows have been taken by the mayor and I want to reiterate what they said. I think this is a temporary agreement and while many of us consider it to be a win-win, it's a clear and fresh reminder of how provincial and how personal water is people, so I'm very proud of this temporary agreement.

And one thing I'm very proud of is that it confirms both our water autonomy and it confirms that council, my colleague's duty with our water is that our preeminent priority is to our residents. My biggest regret about all this besides some of the side show and everything else we've seen but sometimes you need that to bring people to the stable and get people to work together. I do regret the amount of time that our city staff have had to allocate to this project.

The number of hours and attention and lost sleep is probably untold. Scottsdale has been from what I've read and learned about, our relationship with the Rio Verde Foothills people, we have been very generous with play our role in supplying water to that area and my hope is that this extra time from this temporary agreement can facilitate the time that is needed to produce a permanent solution for the great people of Rio Verde Foothills.

So with that appreciation, and again I'm very thankful about how this confirms our water sovereignty and our preeminence of prioritizing Scottsdale residents. Thank you mayor.

[Time: 01:03:53]

Mayor Ortega: Thank you. Councilwoman Caputi and Vice Mayor Littlefield.

Councilwoman Caputi: Councilmember Janik beat me to the motion. We are actually not here to negotiate with ourselves. We have settlement months coming up with a solution and we have had some complicated deal points that had to be met and we are finally coming forward because we did manage to check the deal points than important to us but again we're not gorging here tonight, what we are doing is simply approving this contract be moved or this the decision to move this forward goes to the county now and the county will take a look at it and things will keep moving can it will be a work in process.

The number three on our motion suggest the city manager and the City attorney are empowered to take further sanctions and execute documents as necessary to carry out the intend of this resolution so we are empowering our city manager and City attorney to continue forward and as our city manager loves

to say we're not necessarily landing the plain tonight so I know there are still some questions out there but we're going to continue to negotiate with the county and make sure that we have an agreement that obviously advance advantages our own residents but is also neighborly and has a good outcome for our neighbors in the Rio Verde so I'm very happy to join in the agreement to move this forward to the county, and let's hear from anyone else who wants to talk.

Mayor Ortega: Thank you, remotely we have Vice Mayor Littlefield.

Vice Mayor Littlefield: Thank you mayor. Yes [indiscernible] this has been a very emotional issue [indiscernible]. We are very happy that we can help our neighbors [indiscernible]. We are very glad [indiscernible]

[Time: 01:06:43]

Mayor Ortega: Thank you so much. You know, in conclusion, I would add, I met with attorney general mays and her staff, and our City attorney met as well. Our city manager and attorney met with the county manager and the county attorney. And we acted very swiftly within one week of when the opinion came out. We had our deal points in action. That was swift action by the city of Scottsdale, and we had somebody to talk to as a jurisdiction with some responsibility and authority in the county.

And that is how this moved forward, so there are – I want to as well thank our council for being very diligent as I said, many, many hours were put in and I know that we are moving forward and we have to respect, number one, our residents in Scottsdale and our obligation to every commercial, hospital, school and resident in this city baa I'm one of them and I've been here 45 years so I'm invested in our water system and yes it is very important to me personally.

The last thing I would add is I know a couple city employees that live in Rio Verde. I talked to one last week, and again I have to be more objective, they happen to have a well, certain people -- et cetera, so these are people that we know and employees. I don't know many of you but I do know of others in a personal way some with that we will call for a vote and please record your vote.

Vice Mayor Littlefield: Yes.

Mayor Ortega: Thank you. That is unanimous. We are concluded with -- oh, excuse me with that item. So thank you very much and we will proceed with the next portion of our agenda. If you would leave quietly we would appreciate that and continue conversation outside if necessary.

Item number of two is receipt of citizen petition. And this is an opportunity in our charter which allows any citizen to come forward with a petition and bring that to our body. There was none recorded so therefore we have in citizen petition and I will close that matter. We have a second opportunity for public comment. I see no public comment at this time. So we will now go into our next part of our agenda, which is listed as a work study.

Work study sessions provide a less formal setting for the mayor and council to discuss specific topics with each other and the city staff and provide staff an opportunity to receive direction from the council.



To provide an opportunity for the public input yet to -- we can get that conversation going, we all allow public comment on any of the listed work study items. As I look over to our Clerk, we do have one request to speak on -- let me announce the work study items, involved number of one is quarterly financial dealership, that will be presented by our city treasurer and then we will have a preliminary fiscal year budget.

I am able to take public comment first, but please declare which issue you would like to address and I show that Alex McClaren wishes to speak.

City Clerk Lane: I believe he stepped away for a minute.

Mayor Ortega: He's gone, I understand. We'll hold and revisit that in a minute. So accordingly at this point I will continue with the--

Councilmember Durham: Here he is.

Mayor Ortega: Excuse me. Alex McClaren. Come forward sir, I understand you wish to speak to work study item number two.

Alex McClaren: Again, Alex McClaren, 7624 East Osborn. I was a member of the city's bond oversight committee for a number of years and obviously the bond -- I know you're discussing the overall CIP denied but the bond 2019 is an integral part of that and I was concerned about the agenda item that went to the citizens committee I think it was a week ago where they were discussing the fire facility and the shortage of funds there and then asked to come up with suggestions for how the city could maybe up the shortfall in the amount of money, and I think they adopted a -- not a resolution but adopted a motion that they couldn't do that because they didn't have enough information and that's correct in my view.

[Time: 01:12:42]

The bond commission has to do with the bond or the bond committee is to do with the bond. They have a responsibility to look at what the voters approved in been 2019 and they can't shift projects from question to question, you're fixed by the amount of the bond proposal and I know there worth is provided chapter and version on how classes have escalated but I think it was a little unfair to expect the committee to make a recommendation to you, the city council, who have the overall responsibility for not only the bond 2019 but also for the capital improvements, and I noted that a week lair you approved the contract, the GMP for the construction of the facility with the addition of \$10 million from the bell road ball fields.

So I think that was a correct decision. I think there is a possibility that the bond 29 funding will not be sufficient to fund all the projects that were called out in the bond 29. It's happened before. I remember bond 2000, that was part of the transportation element, and we did not build that because we had -- we needed the money for the Indian end road bridge and there have been other instances as well.

So I think -- I've looked through the presentation and obviously there a lot offing in that you're going to

have to digester but I think the bond 29 issue is critical obviously, and thank God we had the money from those various land sales. Thank you.

**WORK STUDY ITEM 1 – QUARTERLY FINANCIAL UPDATE**

[Time: 01:14:47]

Mayor Ortega: Thank you. Next we'll move on to the quarterly financial update with our expert in finance and Sonia Andrews city treasurer.

City Treasurer Andrews: Thank you mayor. This is our quarterly financial update. So just wanted to start by saying the primary focus of our quarterly financial update is to highlight any economic drivers impacting city revenues and also because the general fund is the city's largest fund. Specifically sales tax trends since sales tax is the largest source in our general fund and any actual variances in the year found that it's pretty much the focus of the quarterly update.

So severe weather more than halfway through our current fiscal year for the first half of the year consumers started pulling back on spending. We talked about this in previous updates where in the past two years we've had a lot of pent up demand and pandemic spend so we do expect consumers to start pulling back on spending and that's what we're seeing in the first half of the fiscal year.

Also as expected dining and hotel motel tax collections to be strong because of the Super Bowl and other events that are bringing more visitors to our city and overall our general fund for the first half of the year revenues and expenditures are pretty much in line with our budget. So this chart shows the sales tax collections. Last year we saw, 2021/22 we saw a 21 percent growth in our sales tax, like I said due to pent up demand and inflation.

This year as consumers are pulling back on spending with inflation and uncertainties of the economy, rising interest rates you can see on the far right of the slide our sales tax revenue is growing at a slower pace. Factoring in the inflation growth in real terms is probably negative, however we have been expecting this and we have planned accordingly in our budget. And this slide breaks down our sales tax by major category.

We actually expected a larger pull back in consumer spending when we put the budget together so year to date our sales collections are ten percent over what we budgeted for the first half of the year and overall general fund revenues are ten percent or 11.9 million above budget mostly because of sales tax. Higher interest earnings and other miscellaneous variances.

On the expenditure side the negative variances are mainly due to higher fire overtime, unexpected PSPRS refund payment for fire personnel costs and a transfer to our CIP funds for our pre-purchase of ambulances that we did not anticipate in our budget. And looking at the expenditures by division the negative variances in admin services that is our I.T. and HR departments is due to timing of invoice payments and a negative variance in fire is due to increase in overtime. And that class my quarterly financial update and I can answer any questions that you may have.

Mayor Ortega: Sure. At this point we have a Vice Mayor Littlefield, Councilwoman Janik and Councilmember Graham. So let's lead with Vice Mayor Littlefield.

Vice Mayor Littlefield: [indiscernible].

Mayor Ortega: The volume is good. We'll try again and again it's just a bit of a speaker -- so please repeat. Thank you.

Vice Mayor Littlefield: I didn't thank you mean to have my hand up, I'm sorry. I agree --

Mayor Ortega: What we might do, Kathy, lower the volume a little bit on your output.

Vice Mayor Littlefield: Let me pass.

Mayor Ortega: I'm sorry, I wish -- we'll do our best and the Clerk will interpret for us in his --

City Clerk Lane: Mayor, I believe she is saying she didn't have her hand up.

Mayor Ortega: I apologize because Vice Mayor Littlefield is on my screen. Okay, you are to blame. Thank you very much. Assume we're back to Councilwoman Janik.

Councilwoman Janik: Thank you mayor. I just have a couple questions for our treasurer can you did nice job, thank you as you do. I know we realized our intake is going to be reduced. In your crystal ball and with your knowledge base, how long are you examining that to last as an estimate?

City Treasurer Andrews: I wish I had a clear crystal ball to answer that question. Actually I will answer that question in the next presentation when we give you a sneak peek of our 23/24 budget so if we can wait for that.

[Time: 01:21:05]

Mayor Ortega: Councilmember Graham.

Councilmember Graham: Thank you mayor and city treasurer. You know I've got concerned about where with our capital budgeting, I have concerns about costs increasing sharply and revenues are not increasing nearly apace, so I'm going to express that concern for the record. And two questions --

Mayor Ortega: Excuse me but we'll get a presentation and so.

Councilmember Graham: Yeah, that's coming next.

Mayor Ortega: So please if you have any questions about the revenue side.

Councilmember Graham: As far as -- Sonia you made a comment about the PRS payment. That was under the funds used, right? Which line would that be for? Probably the public safety fire?

City Treasurer Andrews: That's correct. Under -- if you go back a couple slides.

Councilmember Graham: Right. The sixth slide. How much was that payment?

City Treasurer Andrews: It was -- I'm going to have to phone a friend. It was about 2 million. PSPRS is refund so that refund because the actuaries miscalculating the contribution for the tier two firefighters so they misinterpreted state statute and what the contributions rate should be for the tier two for quite a few years and they discovered it this year, so the actuaries had to go back and recalculate what their actual contributions should have been can that generated a refund that we were required to give bang to the tier two firefighters.

Councilmember Graham: So it was a refund to percent PSPRS.

City Treasurer Andrews: It's a refund to the firefighters.

Councilmember Graham: Do we hire the actuary or what happened?

City Treasurer Andrews: We don't. PSPRS hires the actuaries.

Councilmember Graham: So you said they miscalculated over several years?

City Treasurer Andrews: Councilmember Graham they misinterpreted the state statute. The state statute has specific where the tier two contribution rate decreased and they missed that so they are continuing charge the firefighters at a higher contribution rate than state statute allowed.

Councilmember Graham: So they withheld from them more than they owed.

City Treasurer Andrews: They generated the actuary report to direct us to withhold more than they should have.

Councilmember Graham: That's concerning especially for the city of Phoenix, does that affect statewide?

[Time: 01:24:12]

City Treasurer Andrews: It depends on the fund status of our plan, so the way the -- the intent of the state statute is as the PSPRS plan gets better funded that the -- the -- what the firefighters contribute would be lowered so they don't continue to contribute at a higher percent and the city's contribution rate drops because the status of that fund improves that there should be an equal lowering o of their quicks.

Councilmember Graham: That's very interesting. The other thing I wanted to ask you mentioned about invoice payment timing, which line did that affect?

City Treasurer Andrews: So sorry, so go to the next slide which is the general fund use by division, that would be the admin services where we had a negative variance can the timing difference on that was one of the I.T. invoices but with timing differences we didn't get presented with the invoice until this year.

Councilmember Graham: But we know how much we're going to pay for that when we sign the contract and we have incurred the services before. Was that accrued last year?

City Treasurer Andrews: It's just the timing difference whether -- it's probably a June/July issue where the services crossed over to July and then the payments didn't get -- you know, paid in June.

Councilmember Graham: It should be clear though when the services are rendered and what period those belong in.

City Treasurer Andrews: Yes, it is clear we accrue everything back and we do a meticulous job identifying all the invoices and this is where the services did not get performed in June from a timing standpoint.

Councilmember Graham: So it was a mismatch. Okay. Thank you so much Sonia.

Mayor Ortega: Thank you and proceed with the next portion of your segment of your presentation.

City Treasurer Andrews: I'm actually done with the quarterly financial update and so the next presentation will be our preliminary fiscal year 2023/24 budget outlook.

**WORK STUDY ITEM 2 – PRELIMINARY FISCAL YEAR 2023/24 BUDGET OUTLOOK AND CAPITAL IMPROVEMENT UPDATES**

[Time: 01:26:44]

Sorry. Next slide. So we are right in the middle of our budget process, and I want to spend a little bit of time going through what our budget process looks like. Our budget process starts in October, the departments are gathering the requests, personnel requests, I.T. and capital improvement requests.

In January to March we are reviewing the requests, we're projecting revenues and looking at our reserve and debt and we're making decisions on those request. We work closely with the city manager and his leadership team to balance the budget, so this is the point that we're at right now, so very clearly we do not have any finalized number and this is truly a very preliminary look at what we're coming for fiscal year 23/24 and in April and June we will proceed with a lot of the council presentations that you're familiar with and present the proposed budget, have our public hearings and adopt the budget including the rates and fees and tax levies.

So for the preliminary outlook I wanted to share with you what we would be expecting for fiscal year 23/24. We will take a look at our other trending revenues and discuss our operating expenses and we're seeing and amount the proposed debt issuances for fiscal year 23/24. So what are we expecting for fiscal year 23/24 budget as we talked about, we are definitely expecting consumers to rein in spending. We believe that it is the coming to the end of the extraordinary stimulus, consumers are also draw down their personal savings and they will no longer have personal savings to spend and the economy is expected to retract and there's debate whether we're going to go into a recession or not.

So bottom line is there's a lot of uncertainty so I'll show you how we're planning to budget for our revenues and we are anticipating that and planning that through our butt process. On the state revenue

side that's another scientific revenue source for our general fund we have -- we will be showing some increase in the state shared revenue followed by a daybreak in outer years. That's because our income tax representative revenues is distributed to us two years in arrear, so as they implement the state income tax, which will reduce our share of revenues we don't expect that reduction until two years later.

There's also lower population growth in Scottsdale compared to the other valley cities and as the state shared revenues are distributed based on population we will probably be a smaller piece of the pie. Another thing I want to mention for our 23/24 revenues is we have been spoiled with a lot of one time revenues, we received 29 million in CARES money, another 29 million in the American Rescue Plan Act funds in total almost 60 million of stimulus funds that actioned us with our special programs and helped free up our general fund dollars.

We also sold two pieces of land which provided 63 million for one time capital project needs so one time revenue are just one time and we do not expect those to repeat. On the expenditure side what we're examining is there will be inflation pressures as Councilmember Graham mentioned, labor market continues to be very tight so labor cost increase is there and we're seeing insurance premium increases, for example our cyber insurance has increased significantly, cost of materials, like asphalt, chemicals and a variety of materials have seen anywhere from a 20 to 30 percent increase and of course the cost of capital with our public works director will address after my presentation.

So looking at operating revenues and what maybe it up, interest a total city standpoint local taxes still make up 43 percent as a the bulk of our city revenues. State share makes up 14 percent but a big part of our city is also enterprise funds which are water, sewer, solid waste and airport and they are all self-supporting fees, they do not rely on taxes so we focus on the general fund because the general fund is our primary operating fund, it funders our public works, funds most of our government operations.

[Time: 01:32:22]

When we look at the general fund local sales tax makes up 44 percent, state share makes up 24 percent and property tax makes up nine percent and we have charges fees and fines and other miscellaneous interest earnings. So when we look at projecting general fund revenues and our taxes and what we expect to receive in 23/24 and beyond we look at our economy. The Scottsdale remains really strong. We continue to have population growth. We have low unemployment rate 2.4 percent in December.

We have high property values, we have high demand for tourism and event activities, we have strong and diversified economy. We have our Mayo Clinic, health care, financial sectors that are doing very well. We have a very high median income, 40s percent higher than the U.S. average and are more affluent consumers are less impacted by inflation. So on the one hand we may have consumers pulling back on spending and on the one hand we may have a slow down on the economy but on the other hand Scottsdale economy is also very stock, so some offsetting impacts there. So this slide is really busy but I will walk why through it.

Things a slide of all our major categories of local sales tax that we collect and how we have done in collecting the sales tax since the pre-pandemic, 2018 and our projections for fiscal year 23/24 an hour and beyond so as you can see the top like is miscellaneous retail, the small retails online sales that is not

our major departments stores but all the miscellaneous retail sales. And we track rental, that's long-term rental, other taxable are wholesale and other taxable sales that are not miscellaneous retail and not any of these other categories and that has grown significantly. We track automotive, we track restaurant, construction, major department stores, food stores and motel hotel, you can see the dip this the rental, the restaurant and the motel hotel.

That was the start of the pandemic back in the early fission fiscal year 20 and you can see the penalty up demand and recovery is a V shape and the pandemic spending so you can see all that with these lines and you can see what's interesting is even though we had significant increases in hold motel restaurant, register, other taxable, what really drove the significant increase in our sales tax was miscellaneous retail.

In 21 we saw an 11 percent increase in our sales tax, and in last year in fiscal year 22 we saw a 21 percent increase in our sales tax, and a lot of that was driven by miscellaneous retail, the other is also because in 2018 the state the way fare decision the state started taxing online retailers like Etsy, eBay. So some of that increase is attributable to the online retailers starting to have to pay taxes. So as you can see what our pro-ject is balancing the retraction of the economy, the -- pulling back at the spending or the end of the stimulus spending with the strong economy what we've done is we have projected that our revenues will drop back to a normal growth trend licentious so as you can see on the orange, the miscellaneous retail we basically drop back and eliminate that big bump that we went up from but it's still growing significantly and going back to a normal growth trend line.

[Time: 01:37:06]

That's how we reach our revenues. With hope this is conservative, we will budget accordingly and council has noted our revenues are still growing, they're still strong because of our strong economy but they're not growing at that fast pace and above our normal trend line. And we will have to adjust our expenditures accordingly to the revenues that we project. Next slide.

On the state shared revenues slide the gray on top is our vehicle license tax and that has stayed consistent at 11 to 12 million a year and we anticipate that will continue that way. The orange bars is our state shared income tack can and we are anticipating seeing an increase and address because there's a two year lag and the increase that we're examining in fiscal year 23/24 is reflective of the significant income tax collections through the pandemic that the state will collect between 21 and 22 that we will is receive in 24 and 25.

So with that, we expect those two years to be robust and offset some of the decrease in the sales tax that we will see and then in the out years we anticipate that income tax to drop back down because of the flat tax. And on the state share sales tax, the blue bars we anticipate that the decrease in the state shared sales tax, again from consumers pulling back in spending will be offset by any growth so we anticipate that will be flat.

Now, property taxes we are limited by our two percent levy by state statute, limited to two percent growth plus new construction, two percent growth is less than a million dollars so with new construction we have not projected any more than one or 2 million increase in our property tax and that the primary property tax used for operations. We also assess a secondary property tax uses for debt service.

So the secondary property tax is use for our general obligation bonds and this I just wanted to share that for general obligations bond as we promised our taxpayers we will layer the issuance of our debt so that the property tax rate remains relatively flat. So we're not anticipating issuing any general obligation bond for our 2019 project, next year we will plan on issue it the following year in 24/25 and also in 26/27 so that we can maintain a relatively flat property tax, secondary property tax.

So at this point I want to pause. I want -- this ends my revenue section of my presentation and I wanted to see if there are any questions or comments.

Mayor Ortega: I see Councilmember Graham and Councilmember Durham.

Councilmember Graham: Thank you mayor. You piqued my interest talk about sales tax, that where the purchase happens and how has that helped us?

City Treasurer Andrews: Yes, mayor and Councilmember Graham so -- trying to find a way to describe this quickly and easily so that has helped us because prior to the way fare decision that needs to be a physical nexus, that means there has to be a brick and mortar in order finish us to assess a tax, so like either a building or a delivery truck or people on the ground so Amazon would be collect, and paying sales tax but eBay would not because they don't have a building here or people here.

[Time: 01:41:41]

With the way fare decision that created around economic nexus so you don't have to have a physical nexus, so the state statute require is that the economic nexus, so Etsy or any other stores.

Councilmember Graham: I'm asking is it where the buyer is or the delivery is this.

City Treasurer Andrews: The buyer would be in Arizona and the delivery would be this Arizona.

Mayor Ortega: Thank you. Next Councilmember Durham.

Councilmember Durham: Thank you. We obviously had a big month with Super Bowl and other events. Mayor Ortega mentioned the horse show and I was there over the weekend and it was very busy and this will also be the first full spring training that we've had for a while. Are any of those expected to be scientific enough to make any bumps in the revenue?

City Treasurer Andrews: Mayor and Council, Vice Mayor Durham I have there have a slight uptick but not scientific. I mean maybe like 3 million usually when you have a Super Bowl year or a strong year, add about three, 4 million to our general fund but not like ten plus million or anything like that.

Councilmember Durham: All right, thank you.

Mayor Ortega: Thank you and move on, please.



City Treasurer Andrews: So next slide, so I'd to talk about expenditures, pension and debts. With expenditures city wide personnel, our salaries, our people are our biggest sales is 41 percent of our city. Can that's a pretty scientific part of our city expenses. We have to contracts for a lot of our services. We have debt service at 15 percent, commodities at seven percent. When we look at the general fund because the general if you want has most of our personnel, it's 68 percent of the general fund is our personnel expenditures. So what do we expect from the expenditure side for 23/24, we are still working with the city manager.

We have looked at our cost CRS, we ever our benefits scum providing us estimates from seven to nine percent on the health care cost increase, retirement costs we will continue to pay down and I'll talk more about retirement in a bit and we're also looking at any new position requests.

For contracts and commodities, we talked about this a little earlier we are looking at see a lot of inflation on our contracts and commodities, anywhere from 15 to 30 percent and we're seeing a lot of requests for technology and software upgrades as we try to modernize the city. We're not bringing any new programs to the city but what we're seeing is other costs for new capital projects that are coming online like the multiuse sports fields so we have operating costs that we'll be bringing into our 23/24 budget and all the additional requests a lot of it is to keep up with demand. So I wanted to talk about our public safety retirement plan, we have been working hard under the manager's direction to reduce the liability and he started this even before I started and really kudos to him.

[Time: 01:46:04]

So this year we received our evaluation, our police pension plan, the remaining liability is one fifties million and fire remaining liability is only 25 million. So the police plan is 64 percent funded and the fire plan is now 86 percent funded. And for our contribution rates for 2023 we were at 63 percent of salaries and this year because we have paid down on that but because we're going to make an effort to continue paying it down. In 2022 we made an extra 35 million of additional contributions for police and an additional 5 million for fire and this year we made an additional 10 million can we're still talking with is it city manager on what we should do as additional contributions for 24 so we are working hard on reducing the liability. For the nonpublic safety personnel we are under ASRS and that plan is pulled plan, we're not individually valued.

We are part of the pool for the whole state and that plan is 73 percent funded and the contribution rate didn't change much this year. And as far as debt issuances for 23 the only debt issuance we're planning on is solid waste so that's the only debt we're planning for and in future years we will issue more of the bond 2019 debts and also some water sewer debt and this last slide I really put together to let folks know because not a lot of people understand and know this but we are subject to what we call expenditure limitation, basically in 1980 the voters approved under the state constitution that limits our expenditure of local revenues to no more than inflation plus population growth, so as we put our budget together we're always paying attention to our expenditure limitation, expenditure limitation for this fiscal year as you see on the middle slide is 542.5 million and we are estimating that we'll end the year with 489.7 million and then next fiscal year we've already been given what our limitations are it is 585.8 million and as we put our budget together our expenditure will have to stay under that.

And that end my expenditure slides. I can take any questions that you might have.

Mayor Ortega: Thank you. I see none, so continue. Councilmember Graham again on expenditures.

Councilmember Graham: Thank you mayor. Expenditure does that include flow-through for federal or state that this comes through us? That's kind of a basic question but –

City Treasurer Andrews: Do you mean on the expenditure limitation? No, this is just expenditure limitation on local revenue sources, so it does not include all the federal grants.

Mayor Ortega: Good. And I will go back a couple years. It was very wise the city manager kept a separate account for the CARES funds and other recovery funds so rather than blending them some cities did do blend but it was accounted for in a responsible way.

City Treasurer Andrews: So my last slide is just a share with you the timeline for our budget. Tonight I've provided a preliminary outlook. The public works director will share with you our CIP side of the budget N. March we'll hear from the departments on our proposed rates and fees and April 4 we plan to release the budget and April 25 we'll present the budget to the council. That ends my presentation, thank you.

Mayor Ortega: Thank you, we'll move on to the next piece which has to do with the capital improvement plan updates. And we have our public works director. Hello.

[Time: 01:51:34]

Dan Worth: Good evening mayor and council. I am here to give you a look at a work in progress with where we are in the development of our CIP. I want to start by warning you I have a lot of slides. 43 of them to be precise and if you do the math – I did the math, if I spend two minutes on each slide you're going to be listening to me for an hour and a half and I'm sure nobody wants that, so I'm going to go through these quickly but obviously if I need to stop I'll be more than happy to do that. All the things in yellow are what happened. All the things in white are what is going to happen.

The departments are submitted requests to the budget office, staff as gone through evaluations, prioritizing the project requests. Presented those to the city manager, gotten his input and we have a list. The things in white, the first one is what we're down right now and then there are several other opportunities for input and changes to the proposed CIP before you get the final adoption.

The picket is Indian School park field one which was a bond project, but also had some general funding allocated to it. This is a list of existing in the budget now general fund projects. These are all bond projects that have a general fund component to them. In some cases these were decisions that you made, specific decisions based on quote that we're getting based on GMP proposals where we needed to add funding and you made decisions to allocate additional money. Some of these we added money to them up front, things is that wouldn't be capitalized and we're apartment building the delivery of the project. And I will point out the third line down the new fire department training facility that number increases as a result of the action you took last week, 5 million as we discussed at 11 a week ago, 5 million added to the CIP budget this year and you added the additional 10 million.

General fund projects, the two lists total \$65 million, construction projects in the general fund

CIP and this is obviously a picture not of a finished project in process. So that's stuff that we're working on now. The rest of the presentation is going to focus on stuff that we're looking at for the 23/24 CIP. This shows and this is similar to a slide I showed you in November, this shows the different type of projects that we're considering and we prioritize all these together but I'm going to show you details of though annual projects and requests to add tunneling to bond projects. Most of this is adding a fifth year.

The first one, FCA, this is a process that we use to go through and evaluate our major buildings. This is actually asking for three years of funding at 2 million each because we didn't fully fund five years last year. So that's more than just year five and the last one parking lot payment is new, so we're adding mum years on that one.

Mayor Ortega: Thank you and we'll pause here for a question or comment.

Councilwoman Janik: Thank you, mayor. Question on the CIP GF projects current aquatics replacement. Is that an annual amount to keep all our pools functional?

Dan Worth: You're referring back to this, I believe?

Councilwoman Janik: Yeah, line one.

Dan Worth: This was a multiyear request.

Councilwoman Janik: Okay, thank you.

Mayor Ortega: Councilmember Graham.

[Time: 02:01:27]

Councilmember Graham: Thank you, this has been explained but can you reexplain the Y nomenclature, so I understand that.

Dan Worth: I think it's totally arbitrary. It's a convention that we came up with as we – every project has a five or four digit –

Councilmember Graham: Right, what does it mean?

Dan Worth: I can't tell you what the abbreviation is but it's a project that's rebudgeted every year and we refer to them as the keep the lights on project.

Councilmember Graham: So when we see Y, that means one more year of ongoing costs?

Dan Worth: Yes.

Councilmember Graham: Okay. This -- I'll just -- we talked about this a little bit in our briefing earlier today, but I think it would be very illuminating -- it's hard to follow some of these projects because I

don't know what the prior year -- when I sit here and look at these lists I don't know what was approved in a prior budget. I don't know the sources of the funds and if that's changed.

I can't tell if there's -- if there's an override or under ride of the budget. It's a single dollar symbol. It doesn't really tell me a lot. Is that something that can -- what do you think about that?

Dan Worth: We can add information to a presentation like this and I know earlier discussion you were focusing on the bond project and it didn't show the original bond opt amounts but all that information is available in the published CIP.

Councilmember Graham: I know it's out there but these type of presentations especially when you think about the limited attention span of the public, for them to be able to see this and give a little more context and dimensionality and longitudinality, otherwise it seems to be a name of a project and a number so I think it's something to consider going forward.

Mayor Ortega: Thank you and continuing.

[Time: 02:03:55]

Dan Worth: Moving on those were the annual keep the highlights on projects. These are any new projects, actually a fairly short list. Technology projects, equipment is largely related to fire department and specifically the significance of necessity is equipment purchases in the event that we establish an ambulance service.

Mayor Ortega: Another brief entry to that all these items are over 50,000 and require the procurement that we would normally have. I know the subject of procurement Came up but to keep the lights on and continue those duties. I'm just making a notes of that. Go ahead.

Dan Worth: This is new requests for construction projects, and you'll see these again on the prioritized project list. I'm not going to go through these in detail but just to give you an idea of the magnitude of the request, about \$226 million worth of construction prongs were included that request and there are some fairly big ticket item that is account for a lot of that. This is also a fairly short list general fund CIP needs where we're asking for increases to existing projects. And again, these will appear on a prioritized list later in the discussion.

Mayor Ortega: Thank you. I see Councilwoman Whitehead.

Councilwoman Whitehead: And Dan knows this, we had previously discussed splitting the cost of the Pima road sound wall into transportation and general fund, so I just want to get that out there for consideration.

Mayor Ortega: Thank you.

Dan Worth: And then a small number of projects are lefts over from the process that we went through in 2019 when we developed the projects that made it on to the bond election list. We started that process a year prior with \$730 million worth of projects and whittled it down through public outreach to

half of that, 319 million but there are some things that didn't make the list that are still requirements and some of those were recommended by requests for funding in this the CIP and again some of these are big ticket items the power line underground in particular.

The last group of projects that we have is general fund requests are additional funding needed for bond 2019 projects. And I'm going to go into some detail on that. Before I do that I want to talk about inflation.

Mayor Ortega: Excuse me. We'll have Councilwoman Janik.

Councilwoman Janik: Quick question, thank you mayor. You have a project list. Do projects ever get totally dropped or does it just go on forever?

[Time: 02:07:28]

Dan Worth: The answer is yes, I mean projects -- I am very aware of project that have been requested, they've been through proposed bond election processes and they've dropped. These particular projects there's still identified needs for the park and the playground equipment and the community services long-term plan, and there still a desire to underground power lines because the value to the resort industry. So maybe they dote don't ever get if you wanted but there's still identified lists.

Mayor Ortega: Thank you. I see Councilwoman Caputi.

Councilwoman Caputi: So we originally started with \$730 million that we identified that had to happen in our city and we whittled that down to 319 but those other many tens and hundred of millions of dollars of projects that needs to be done in our city don't go away so just want to remind everyone those are still out there looming looking for funding.

Mayor Ortega: And with new projects comes new M and O, so all of that side also as we see the pool here but one thing to say we may want three more pools but we have to have the accompanying operating budget. Councilmember Graham.

Councilmember Graham: I mis pressed the button --

Mayor Ortega: Continue, Dan.

Dan Worth: And mayor thank you for mentioning the pool, the picture is Cactus pool and this is a future bond project that we hope to execute to replace this pool in a more modern facility. I know the topic came up during our discussion last week on the fire training facility, there was some question about the index that we're using and the four circumstances -- so we take a look at the index and based on the direction I got from Sonja I'm showing a different index. Things produce by the bureau of labor statistics, it's part of their suite of indexes, but the one that I used in November was producer price index for final demand construction, this is one is more specific to government construction and I use a different starting point for that chart and I was showing you increases relative to that date and I used January 2018 because we did estimates for many of the projects that are in the bond to support this process, in don't go away 2018, so they were done this January and February of 2018 and submitted for the 18/19

CIP and if they didn't make it then they were submitted as projects to consider for the 2019 bond election, so some of suppose those estimates go back the 2018, but if you want to be conservative this is the more focused index, shows a slightly lower inflation rate than the general index which astounds me because government office costs more, I don't know why it's lower but it is.

18.4 percent year over year increase last summer compared to the 22 percent that I have showing in you in November. Still high, but a little different take. And just for the sake of completeness this chart shows both.

But it was happening for that previous year. And you can see we are up over 100 percent over January 2019. It's come down, it's stabilizing apparently, but not at the level that it was in 2019. It's still 40 percent above that level so still a pretty significant increase and we see this for many commodities in that index.

[Time: 02:12:57]

Mayor Ortega: Dan, I see a request from Vice Mayor Littlefield so please go ahead, Vice Mayor Littlefield.

Vice Mayor Littlefield: Thank you mayor. I think I'm the only one left on the council who was on the original bond committee [indiscernible]. One of the hardest decisions we had to make on this bond committee was [indiscernible]

Mayor Ortega: So thank you, Vice Mayor Littlefield. You've served the longest and you have experienced the roller coaster and as these choices are made, we appreciate that insight. Continue.

Councilmember Graham: Point of order or point of privilege, mayor, could you understand what Vice Mayor was saying?

Mayor Ortega: About half of it was she was referring to choices made. What I will suggest that our own city I.T. look and go and test and perhaps swap out some equipment but I heard the tone saying that then they were – can again how it's focused in this room and reflects is a little difficult, but that was the gist of why I'm trying the repeat that. Continue.

Dan Worth: Couple more of the commodities slides, electrical equipment, transformers, large switch gear and this is something that we see with a lot of long lead cushion Tom fabricated type of things. We have gone up substantially and maybe stabilized but haven't come down at all can this is a major cost in pretty much any new building that we're building. This is my glimmer of hope slide. Asphalt, I try not to be pessimistic, but asphalt peaked at 100 percent increase above January 2019, it's come way down, it's bouncing back up but it's not too far from January 2019 levels. It also shows you that asphalted is tied to oil prices so oil prices as the price for diesel come down statute comes down and we expect toss that continue but a lot of the cracks is that we have, if we bid here and the project is delivered down here or co-s less we get the savings, just the nature of that kind of contract so that could be a potential success for us.

So and again, Bond 2019 projects we're asking more money. This is a list of projects where we're not asking for more money. Some of these have more money allocated to them in previous decisions but these are our tracking, we hope to execute them and do it with the resources that we have allocated to them right now. So shortfall for projects I'm going to show you two slides, this is projects that are in design and construction. We have estimates from a design consultants or we have GMP proposals and we need more money.

Mayor Ortega: I do want to point out number 42 which is the dog park, and does consist of significant parking that's required, which includes asphalt which is a good thing and that one was moved forward and it's on track. So I see number 42.

Dan Worth: And many of these projects you can see the fiscal year of execution, if they're going to move forward we're going to need to find the money so they been a higher need. These projects where we had request for additional funding but they're in the out years so we have time. These are just applying our education collation factors so really not a high priority need to move forward with these.

Then these are projects where there was no request, just for the sake of completeness, and applying the remaining projects.

[Time: 02:19:01]

Mayor Ortega: Thank you.

Councilwoman Janik: Quick question, 2019 shortfalls the general fund request is the amount of shortfall. It's the difference between what we thought it would be and what we now need.

Dan Worth: Correct, that is the actual amount requested to maybe the project whole.

Councilwoman Janik: Thank you.

Mayor Ortega: Councilwoman Whitehead.

Councilwoman Whitehead: One of the things we discussed is that many of these projects we can extend and do in like for instance the barns, maybe we do one barn one year and put out the following year, so I do think we have to be careful about overspending. So I definitely would be looking at which parts of the projects we can do that we can extend out the future years while still getting the core part of the project done.

Mayor Ortega: Councilmember Graham.

Councilmember Graham: Thank you mayor, so in this particular one, it would be nice if there was an amount -- because these are all bond 2019, the amount that was in the bond, a column for that, a column for the request, assuming that general fund request is that's the only source request. And maybe a percentage variance -- I mean, what a the total amounts from -- what's the total project amount for project 18, for example in bond 2019? I mean we have to go look its up and find it and so --

without knowing that \$9 million appears to be a staggering amount of overrun, so I guess some more of those columns and more context, thank you.

Dan Worth: Mayor, Councilmember Graham, I appreciate the input. Project number 18 that is actually an exception. The bond amount was 1.85 million. We didn't anticipate that it was going to build anything close to the concept. We always anticipated that we were going to have to find additional funding, this was primarily intended to get us started is it.

Councilmember Graham: So the bond project was -- I'm sure the language was crafted -- it's not like a bait and switch; it's clearly part of a bigger project.

Dan Worth: Honestly, I can't tell you. That would be subject to interpretation but I can provide you with the language.

Mayor Ortega: So the lesson is some things can go back and forth but basically our general account has a checkbook that can cover some costs and you are responsible for filing all that stuff. The other thing that I would add is that we do not compromise on durability or quality. This is a situation where in the free market or somebody will say we're going to use cheaper materials and the life of that -- we build institutional grade, we build the top grade that you can expect. It will have depreciation and it will erode over overtime and need to be replaced or modernized but that what was important to me that we're not going to downgrade the live expectancy, we're not going to build half a jail or skimp on something that we have to maintain that quality. Go ahead, Dan, continue.

[Time: 02:23:27]

Dan Worth: So those are all the gory details of the project request from the different departments. This is the summary. The annual projects; the department submissions, the bond 2019 shortfalls and add them all together \$465 million worth of requests. We take those requests and match them up against the funds available can this is an abbreviated verse of the cash flow unanimous that with do to determine how much funds are available, basically it's a five-year analysis.

You start with a balance, you add funds and the second and third line we add interest earning, add another a million dollars so starting balance, there are additions. Some of these are a onetime with if you wants that were available, certainly an option going forward but what we know right now we've got a cash available at the end of each year, we have got budgeted expenditures and you take the cash available off cash balance, the cash balance carries forward and the lower right hand corner of I haven't added any of the fiscal year 27/28 stuff, yes, that tells you how much money we have, 60.5 million to be able to add projects. So that's the number.

And this slide and the next three show you the results of that process. The first slide I've got the projects identified -- and can't get my curser to work. Projects in this column is the CMRC, that's our prioritization number, the amount of the request. And I have a running total so the first project, facility conditions assessment, refreshing our buildings, \$6 million. Running total \$6 million. The next project I have a running total that's bumped by up by two and a half million. Right on down the list so you add projects; increase that running total. I have 60.5 million available, the next project puts us over that number.



So these are the projects that are above the funding line as it stand right now. The next three slides show you the projects that didn't make it. Still in priority consequence. But just -- a general observation, we're looking for direction if you have any desire to find a way to fund projects that aren't funded according to this list there's basically two ways we do it. One is to move the line down further to add more money and that's a possibility.

There are ways this that we can do that. The other is to change the sequence, move something up and something else down but if we move something up something else has to move down. The more money there are several things we can look at, one is one-time funds from the general fund we're not prepared yet to say how much or if, that's a possibility because we have to go through what Sonia laid out and we still have some scientific unknowns on the legislative side that could affect our tax revenues but that's one source of more money. There are others, we have some available revenue from the tourism fund, from the bed tax that could be applied if it's a tourism related project. We look at that as a potential source.

In a few moments, I'll talk to you about the Bell Road land sales proceeds. We have to figure out what to do with half of that money. We already resolved the restricted funds. There's unrestricted funds. If we use unrestricted funds for things that are budgeted in the CIP, you free up general funds. That's a way of adding more money. There are possibilities of doing that.

Mayor Ortega: Thank you, Councilman Whitehead and Councilman Graham.

Councilwoman Whitehead: On this list, I take out all the public service. We're on slide, this one. The ones that make the cut? So, yeah, so

Dan Worth: The ones that didn't make the cut

Councilwoman Whitehead: Put the ones that did make the cut, thank you. I forgot that not everybody can read my mind. So, if you take out all the public safety stuff, you end up with everything on the slide is in the north, from McCormick Ranch to Thompson Peak Dog Park to the new park where'd it go? Ashler Hills. So, if you go down to so, I definitely don't see, I think, Councilman Graham called it south parity going on here.

[Time: 02:29:45]

What I'd recommend, and do some smaller projects. If you go to the next page, that Second Street, that's you know, bigger than what was planned, that, the staff was looking to get a grant, let's, you know, cross our fingers. If you knock that one down, because we're trying to get a grant, you can add pickle ball courts, I'd say, that'd be my first bump up. Pickle ball courts at Pima Park for a mere \$3 million. There's the shaded tree development plan, also \$3 million. That's something that unites this community and the new park downtown for \$2 million.

I think that those, we need to bump in you know, I'm not firm on these, except for the pickle ball, that we need to put some above the line that's funded. We could bump out, this is based on (?) isn't here, catch me if I'm misstating what needs to be true. Further out, number 34 on the third page, the fire

station at 90th Street Via Linda. Some of the McCormick Ranch stuff with tourism dollars. Those are just some general ideas I have.

Mayor Ortega: Excellent, thank you, this is why we're having this dialogue. Councilmember Graham and then Councilmember Durham.

Councilmember Graham: It's nice to see parity. Can you explain to us, one other thing, if we could put slide numbers on these, then I could make easy reference to my colleagues and we could say, "well, this slide, just as a side bar," can you explain what \$17 million initiative is?

Dan Worth: That doesn't have a defined scope. It is money that we set aside that could potentially be used for several things in the downtown area that provide connections to the amenities including employment centers in the downtown area and surrounding area.

Councilmember Graham: The reason I ask is because the, the slide, page 47 of the packet, it's the CIP development, available funds. I don't know how else to get there. It's that cash flow statement you put together. Yeah. Yeah, just kind of sticks out, you know, \$17 million and you said it's undefined? But it's got it down to the dollar.

Dan Worth: I think that was a calculation that was done based on the proceeds from the museum's square land sale.

Councilmember Graham: Okay, very good.

Dan Worth: We took out a portion of that for the Stage Brush Theater

Councilmember Graham: Okay, we're going to spend whatever's in there. What kind of projects you think might be housing that number? That's a significant number.

[Time: 02:33:01]

Dan Worth: That is money that we could potentially use for that Second Street Streetscape project. There are other things we've been looking at that would fit the same description for providing connectivity, bikeway, master plan we did for the downtown area.

Councilmember Graham: I've got concerns about some of those projects, they threatened to take away, some are parking spots into the downtown area. So

Dan Worth: What we're proposing here is for the Second Street Streetscape, east of Scottsdale Road.

Councilmember Graham: Just generally, I'm interested in what's in there, thank you. The -- it's funny, because all the projects that we see, all the prices that we see in this listing, that's going to go up again in a year. And in two years from now. It's such a moving target and it's like, it's just, it's just the construction, I -- when I worked in state government 15 years ago, it was like, you know, hair on fire construction inflation, it was the same story. I know we're in a different, unique time period now.

Dan Worth: When we do our estimates, our project staff, we have an estimator looking at all of these projects and he's adding an escalation factor based on the anticipated year of construction. If it's a project we anticipate will be two years in development and assigned, he's adding escalation factor to get us to that point.

Councilmember Graham: He's saying if we build the bridge today, for a million, but we know they're not going to start building in five years, we're going to multiply 1.17

Dan Worth: Right.

Councilmember Graham: We did that with the bonds in 2018 and got nowhere close.

Dan Worth: We did that, and the escalation -- well, we didn't, actually. If we did that, we'd have use escalation factors consistent with inflation we're seeing at the time. Which was the 1 to 3% range.

Councilmember Graham: Inflation then was

Dan Worth: Five years later, your project's inflated 15%, we build it 20% contingency into each project, still probably would have been good, but that's not what happened.

Councilmember Graham: The, so, with the bonds, we can't every bond project has a bucket. It's like, you can't just borrow the money and say we can't do that project, but we'll do these two projects, right? Because every project, you have to you have to that's how it works, correct?

[Time: 02:35:32]

Dan Worth: You can, actually. If we do not do a project, that's in a question, one of the three questions, we can, potentially, reallocate that funding to another project that's in that question.

Councilmember Graham: That was my concern about borrowing and then projects that we couldn't get funded, but you're saying anything with within a bond question, we can just borrow money and allocate across those, correct?

Dan Worth: I'm not sure borrow is the term, but you can reallocate, yes.

Councilmember Graham: Okay. And the last thing was Roundhouse, this particular one, it says McCormick Stillman Roundhouse for 3.6 million. That's just the general fund component, right? That was, that was estimated to cost like \$8 million.

Dan Worth: That was in the CIP for this year at \$7 million and change, almost \$8 million. We had that allocated against the restricted funds for Bell Road land sale. They removed that from those restricted funds, it reverts back to general fund, that hasn't changed. It's still funded for 7 million and change, general fund, this is request for additional 3.5.

Councilmember Graham: That's the overage, that's the overrun, right? Or the increase?

Dan Worth: Increase.

Councilmember Graham: Yeah, okay, thank you, Mayor, thank you, Dan.

Mayor Ortega: Thank you, Councilmember Durham?

Councilmember Durham: Thank you, Mayor. Some of these are kind of obvious on their face, what they're discussing, but some of them are not. Is there some kind of source we could turn to that would give us additional details on what all these are and what the case is for each of them?

Dan Worth: We do have a project database that has detailed scope information and in the past, we've made that available to you in a, a summarized form so you can see what each of these projects are specifically proposing, we can certainly do that.

Councilmember Durham: If you could do that, I think that'd be very helpful on some of these. Because 90 day back up site, I don't know what that is.

Dan Worth: The technology projects, I couldn't even explain them to you, so, yes, we can make that information available.

Councilmember Durham: Yeah, if you could do that, I think that'd be very helpful. Thank you, Mayor.

[Time: 02:38:03]

Mayor Ortega: Thank you and Dan, just because speaking of McCormick Stillman Railroad Park. We did get a substantial million dollar contribution, the people who are, you know, who are very dedicated are even proposing more, so, that's how the community, let's say, instills a buy in and we know it's, it's funded by additional private sector money.

And that's a credit to the team working together. They also said we want things to move forward quickly. And that was also a positive, rather than saying, "well, we're going to hold off all of our money until the end." They really said, okay, continue and

Dan Worth: Mayor, thank you for making that point. That's one of our prioritization criteria as well. If we're leveraging other people's money, a million dollars from the railroad society, that ranks higher. That's important.

My next slide was to give you the opportunity to talk about that list, which I think we've just done. The next group of slides shifts gears a little bit. To talk about the Bell Road land sale proceeds, when we talked in November, you gave us a direction to, on how to spend half of this money, the restricted portion, just to refresh your memory, \$42.7 million, roughly half of it had restrictions applied to it, had to be spent within two years of the land sale, which brings us to July of next year and it couldn't be used for anything to generate revenue.

The other half, didn't have those restrictions and then, between the two pods, we had spent \$19 million on it, on projects that had tourism benefit, because some of the financing for the funding that we

bought that land with was from tax dollars. With those criteria, we gave you proposal for the restricted funds, you approved that in December, you approved a change to it, last week. This is what that looks like right now. The fire department training facility, Chaparral Pool Renovation and training facility, \$21 million accounts for a portion of the tourism requirement.

This is what we are suggesting as a possibility and this is obviously subject to change, your direction. But this would satisfy the \$21.2 million for the unrestricted funds. We move McCormick Stillman from the restricted funds to this one because we can have a fund that generates revenue. And we have all but one of these projects is identified as a tourism related project, that brings us to the \$19 million target for the tourism projects.

So, that is our suggestion for the unrestricted portion. No action tonight, but if you want to give us any direction or suggest any changes, we can certainly take those and consider them.

[Time: 02:41:29]

Mayor Ortega: I'll concur with the action you're taking and the recommendation. And at this point, we're down to about 16 months to pay that money, to spend that money and certain allocations. So, I do believe we're headed in the right direction, as recommended.

Dan Worth: The other item you asked us to come back to in the November presentation was the land sale proceeds from the Museum Square and Fire Station 603 transactions. You can see the total amount, total sales revenue, doing two of those, \$20.5 million and you can see what we allocated that to. Allocated the full amount, but 16.9 for the connectivity initiative, which can be used for Second Street Streetscape or any other things that might fit that broad description and the Stagebrush Theater renovation. That's one of the tourism related projects under the unrestricted land sale proceeds.

If we do that, that frees up \$2.2 million to do something else with here. No suggestions, just wanted to give you the run down on where that money is and that's certainly subject to your direction as to how we might want to allocate that and spend it.

Mayor Ortega: Okay, continue, I don't see any other comment.

Dan Worth: And then, the last couple slides, just going back to the pie chart at the beginning of my presentation. There are other funds that develop capital program. I'm going to talk to you about some of the larger ones of those two slides on the Transportation Fund, the proceeds and the 0.2% sales tax.

We go through a very similar project process to the one that I just showed you for general fund. We identify requirements, we prioritize them, and we develop a cash flow and figure out where that funding cut line is, the funding cut line we feel we have available for transportation sales tax is \$40.9 million, this chart shows those projects that, that come out above the cut line. This page will show the projects that don't.

This is just a first look. They're subject to changes and the same things that I described for the general fund apply here. We can change the sequence, if we've got the priority wrong on something, we need

to move something up, we can add money. Most likely source to add money is adding additional one-time funds from the transportation 0.2% operating.

We're currently moving 50% of that every year into capital. We can't spend less than 50% on capital by council policy, but we can certainly spend more. And similar to the general fund, we haven't completed the operating budget analysis and those legislative actions that could curtail our sales tax revenue, they affect transportation sales tax revenue as well as general fund.

So, there's some unknowns out there that we probably want to get a better handle on before we make decisions about moving those funds. This is where we stand right now on the transportation.

[Time: 02:45:17]

Mayor Ortega: I see Councilmember Graham?

Councilmember Graham: Is the 2% sales tax temporary or permanent?

Dan Worth: Permanent.

Councilmember Graham: Okay, my other question about that is the, that has to be for transportation related projects, right?

Dan Worth: The wording of the ballot was transportation improvements and we've interpreted that to mean capital projects, as well as some of our operating expenses that funds a large portion of our trolley expenses.

Councilmember Graham: Okay, do you have any, are there any examples where bond projects, that went over, over budget or cost, you know, you fill in the gap, make it whole with that sales tax?

Dan Worth: We haven't had transportation projects, we've had them on bond questions, but they haven't been successful since 2000. In 2000, we did use transportation, 0.2% sales tax revenue to be able to fund the match for a number of CP projects.

Councilmember Graham: That was the purpose of this, ALCP. Continue sorry.

Dan Worth: We have used it for bond projects. That dates back to 2000.

Councilmember Graham: Okay, you're saying we've done it before. But there's no example of that happening again, right?

Dan Worth: It hasn't happened recently, just because we don't have any recent bond funded transportation projects.

Councilmember Graham: Thank you, Mayor, thank you, Dan.

Mayor Ortega: Thank you. Are you rounding home plate?

Dan Worth: I'm rounding home plate, I'm going into my slide. [laughter]

Water and wastewater enterprise, the bottom line here, they build what they can afford to build, based on the money and revenue they collected. 47 projects, \$162 million if you want details on that, I'm sure Brian will be able to provide that when he talks to you about rates. Airport enterprise, similar. The good thing about the airport enterprise, they're only paying 10% of their capital costs and leveraging significant amounts of federal funding available through the FAA.

And then, last slide, Solid Waste Fund, another enterprise fund. You already heard Sonia mention \$25 million for future expansion will provide revenue generation for us. The Fleet Fund, I mentioned briefly, moving some equipment expenses into the CIP, we're doing that with the fleet fund, doesn't show up, it's not general fund, didn't show up in those slides, but we're taking \$18 million worth of purchases out of operating and putting them into CIP.

Buying them, most of the wheeled vehicles and equipment that we use, fits the definition of a capital project, has a long life span, fresh, exceeds the threshold of \$50,000 per unit. It fits the definition, the problem we've been having with carrying it in the operating budget, we're getting 18 month lead times, 24 month lead times and if you can't get a vehicle delivered in 24 months, you can't get it delivered in a year it's budgeted.

We gotta rebudget it, roll over that funding authority to the next year, it's a mess to try to track all of that. If we move it into capital, that allows us to work more conveniently with that long lead time we're getting with all these purchases now.

So, a lot of operating and capital, no net increase. So, that's all I have and I'd be happy to address any questions that I haven't already.

[Time: 02:48:59]

Mayor Ortega: Sure, I see Councilmember Graham.

Councilmember Graham: Thank you, Mayor. My question, I do have another question. For the 68th Street sidewalk, from Arizona Canal to Camelback, is that I like that idea. I like that project a lot. Do the residents, there, support that? Have you done outreach for things like that?

Dan Worth: We know there's an organized group that's very strongly in favor of it. We have approached people who live along that corridor, in particular, people who, in some cases, they're encroaching into the right of way that we'd be building on and notified them. I think one of them was here defending their wishes at a council meeting six months ago.

There's some awareness. We're hearing very positive general consensus on doing a project.

Councilmember Graham: Very good, I'm excited about that. Thank you, Mayor.

Mayor Ortega: Councilmember Janik?

Councilwoman Janik: Will you give us these numbers? We need to know how much initially, how much over, I'd like to know if it's because of mission creed, inflation, et cetera, because when you keep going over your budget, you know, on certain issues, I think you really need to examine it. I, personally, when I look at my budget, if I'm over, things get cut. So, I expect nothing less from the city. And I understand what the Mayor said about, we don't want to take shortcuts, we always do the best. I want to give you an example that's counter to what you said.

They put knee replacements in 90 year olds that were meant for 25 year old athletes. That is a mismatch. And I want to make sure that we are not mismatching. Yes, you want to do the best, but the best has to be a reasonable best.

So, I would hope that when we look at these projects, if it is something that should last for ten years, we don't spend three times the money and go for 50 years. Because that is not a reasonable approach. So, I would hope that some of that would be involved in the decisions as well. Thank you.

Mayor Ortega: Okay, Councilwoman Caputi?

Councilwoman Caputi: You've done a really great job. I want to point out, a couple people made the comment that this is a really big wish list, we have huge amounts of needs and I think there was a comment about, we need to make sure that we generate the revenue to actually pay for our wish list. I want to reiterate. I think it's interesting, we have the presentation about our financial situation first and then we go on to talk about all the things we want to pay for and it's really important to remember that these things get paid for by sales tax revenue, which our city treasurer pointed out is a vast majority of our general fund. This is super important.

You mentioned that 50% of the capital improvement projects are paid for by construction sales tax revenue. So, another key component, is that correct? Of how we actually

[Time: 02:52:25]

Dan Worth: 50% of the construction sales tax revenue that the city takes in, goes to the CIP.

Councilwoman Caputi: Goes towards our

Dan Worth: It falls far short of what our CIP needs are, but that is steady income that we can project.

Councilwoman Caputi: Of course, we do have to try to find sources to pay for it and I think those are important things to keep in mind. Can't turn off the spades on one side and turn them on on the other, nicely done. Thank you.

Mayor Ortega: Well... we are concluded, I believe. Are there any other comments? At this point? I'd like a motion to adjourn.

Councilmember Graham: Motion!



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Councilwoman Janik: Second.

Mayor Ortega: Please record your vote. Thank you, unanimous, goodnight, all.