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**CALL TO ORDER**

[Time: 00:00:01]

Mayor Lane: Alright, good afternoon, everyone. I would like to call to order the February 24<sup>th</sup>, 2015 work study session. And we'll start with a roll call, please.

**ROLL CALL**

[Time: 00:00:12]

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

City Clerk Carolyn Jagger: Vice Mayor Linda Milhaven.

Vice Mayor Milhaven: Here.

City Clerk Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

City Clerk Carolyn Jagger: Virginia Korte.

Councilmember Korte: Here.

City Clerk Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

City Clerk Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

City Clerk Carolyn Jagger: David Smith.

Councilman Smith: Here.

City Clerk Carolyn Jagger: City Manager Fritz Behring.

City Manager Fritz Behring: Here.

City Clerk Carolyn Jagger: City Attorney Bruce Washburn.

City Attorney Bruce Washburn: Here.

City Clerk Carolyn Jagger: City Treasurer Jeff Nichols.

City Treasurer Jeff Nichols: Here.

City Clerk Carolyn Jagger: City Auditor Sharron Walker.

City Auditor Sharron Walker: Here.

City Clerk Carolyn Jagger: And the Clerk is present.

**MAYOR'S REPORT**

[Time: 00:00:42]

Mayor Lane: Thank you. It's the only thing that it looks like we need to work with right now is a couple of items I would like to report on. Even though this is not a regular meeting, I will go ahead and mention the fact that the Parada del Sol Rodeo, the 62<sup>nd</sup> Annual Parada del Sol is taking place at WestWorld. It returns this Thursday through Sunday and will feature bull riding, barrel racing and pro Rodeo wrangler champion's challenge. So come and cheer on our Arizona finest bull riders and take the toughest bulls on in the Rodeo. That's one.

The other one is our namesake Winfield Scott's birthday is coming up. He's a mere 178 years old.

And so this Thursday, we'll be celebrating his 178<sup>th</sup> birthday. And that celebration will take place at noon in front of Scottsdale Historical Museum here in Civic Center Mall. Special guests include local historians Joan Fudala, Joanne Handley and State Historian Marshall Trimble. It's an old-fashioned picnic and refreshments. I encourage you to come out for Winfield Scott's annual 178<sup>th</sup> birthday. It's an annual celebration and we would love to see you there.

**PUBLIC COMMENT**

[Time: 00:02:09]

Mayor Lane: So with that little bit of business, we do have time here set aside for public comment. I see no cards indicated or collected so we'll forgo the public comment period at this point in time.

**ITEM 1 – STRATEGIC PLANNING WORKSHOP**

[Time: 00:02:18]

Mayor Lane: And we have three items on our agenda here for this work study session. And we'll start with the number one item, strategic planning workshop. And we have Brent Stockwell, a well-recognized figure and well versed on this subject here. He's our strategic initiatives director.

Strategic Initiatives Director Brent Stockwell: Thank you Mayor, members of the Council. So we are here tonight to talk about your priorities as the elected leadership of the city of Scottsdale for the city of Scottsdale as an organization over the next 12 to 18 months. Clear direction on organizational priorities helps ensure that division, department and even individual employees, goals, objectives, and initiatives and measures are aligned with this direction. So we will take all of this information tonight and use it to update the organization's strategic plan which was provided in your packet as attachment one.

First, I would like to provide a quick update on progress to implement the mission statement that you approved back in December of 2013, which is "Simply better service for a world-class community". Staff is working to implement the mission statement through three citywide internal initiatives. The first "simply" is streamlining the services that we provide through process improvement. The second "better" is to formalize our benchmarking efforts to ensure that Scottsdale services are better. And then the third, "service" is establishing standards and providing training to ensure high quality customer service throughout our organization. These are all in progress, but I highlight them here as evidence that the decisions made out here are implemented behind the scenes and throughout the organization.

These are the priorities that were adopted last year by the City Council. These are intended to be short-term goals or priorities designed to address specific needs or challenges facing the organization or the community. So these are the critical few focus areas that you want to spend time on as a Council and that you want the organization to focus on, on your behalf. So you will set the priorities and then staff will flesh them out with supporting objectives, initiatives and measures and keep you

updated on progress throughout the year.

In addition to those priorities and we can always go back to that slide when you get into the discussion in a few minutes. Or perhaps instead of these priorities, your colleagues on the council have suggested some additional priorities for consideration. Just outline them here on the slide for a few minutes when I am done you can go back and discuss them and provide direction on what to add, change or delete.

So two more slides here. Finally, I want to briefly talk about what we have done and will do to communicate progress toward each one of these, once you have agreed on what you want to accomplish. So first, about every two weeks we send out an email to you and the entire organization that provides quick updates on results the organization has achieved. So typically in those we will include a brief statement that says the latest update on the strategic plan is online, it is posted out on the website. You can go out and take a look at it.

Second, from time to time, we will schedule council items for updates or direction on these priorities. You've had a number of those over the past year.

Third, at the end of each quarter, we'll post a detailed strategic plan update on the website. And the most recent one is included in your packet as attachment two and we highlight what's changed in that, just to make it easy. We just choose a color each quarter and highlight anything that's changed so you can scan through it quickly and know what has been updated.

And then finally, once a quarter, we will provide you a quarterly performance report, which is attachment 4 in your packet. That highlights progress that the organization has achieved relative to the objectives and measures that are included in the annual budget. The report is prepared after the close of each quarter and then we set aside an executive team meeting for the city manager and the top staff to review and discuss that report and then we forward that report on to the City Council and to the organization. We are interested in your feedback on the report's content and format and we issued the first one at the end of the year, into the calendar year, and we have included the most recent one in your packet.

Also in your packet is included a current draft of objectives for the upcoming budget year. That's attachment 3 in case you want to provide feedback on those as well. So what we tried to do is we tried to provide you kind of a wide spread group of information about what we have been doing what we are proposing to do and now is the time to provide feedback on that.

So that's it. It's time for you to discuss what, if anything, you want to add, change or delete about your broad goals and priorities about for the city of Scottsdale is as an organization. Anything you change tonight we will bring back in a resolution for adoption at a later date. So this is just to provide direction on what you want to change about those priorities, if anything, and then we'll bring it back later.

[Time: 00:07:25]

Mayor Lane: Thank you, Brent. I appreciate that summary of objectives for us. As I was looking through what we have digitally, it looks like it's set up differently as far as the tagging is concerned. But I don't know that we've got, in any case, go ahead.

Strategic Initiatives Director Brent Stockwell: So Mayor, if I could suggest what you might want to do is either go through the list of current priorities and suggest add, changes or deletions to them. And then also you might want to open it up to your council colleagues that have proposed these additional priorities to get their sense of why they think those might be important and have a discussion on it.

[Time: 00:08:11]

Mayor Lane: Appreciate that guidance. So if we were to look at the PowerPoint presentation, A through F, as far as the priorities in place right now and consider whether or not these either have been met or ongoing or whether or not we want to add something to this, is that pretty well? Okay. We have all had an opportunity to take a look at this. We have it up here on the board but if we were to go through the short-term goals, and I presume that's entirely consistent with what we are talking about here on the overall, 12 to 18 months, those are all short-term goals.

Strategic Initiatives Director Brent Stockwell: Mayor, that's correct. So what we are focusing on is the next 12 to 18 months of priorities. The longer term goals are set out in the General Plan and we continue to work on those over time, but these are just the short-term efforts of this Council.

Mayor Lane: Well, there may be some, obviously some repeat of even these short-term goals going into the future for the next session as well. Particularly in those cases where it may not have been completed as yet. Do I have any comments from the councilmembers with regard to what we have here on the previous short-term goals and maybe their application moving forward, and for our new goals on a short-term basis or whether there's any adds that might be suggested from councilmembers? Yes, Councilman Phillips?

[Time: 00:09:43]

Councilman Phillips: Thank you Mayor. Well, I guess you can maybe explain to us a little better about short-term goals, what is a short-term goal? Is it six weeks, six years? And also how we are going to do this? Is it going to be presented in a council meeting and we are going to vote on it, especially like number C, create and develop a comprehensive economic strategy. That's a pretty complicated thing to make a short-term goal.

Strategic Initiatives Director Brent Stockwell: Mayor Lane, Councilman Phillips, members of Council, so, yes, these are intended to be short-term goals. So what we do is if you look at attachment 1, what we have done is we have fleshed out each one of these priorities with additional objectives. And those were included in the packet when they were adopted. And then even when you get into the detail, you will see individual initiatives and status updates on each one of those.

When, for example, we say partner with residents and businesses to revitalize McDowell corridor, included in that is six additional major objectives in there. Many of those items have come back to the council throughout the year, but that includes everything from when you had a discussion about defining the boundaries so that staff knew what to focus on, all the way down to working with area residents to strengthen neighborhoods in and around the revitalization area. And so there's an awards program that's been revamped related to that. There have been a number of community meetings out covering that.

So really when you think about it, it's at the highest level the council were saying, we think this area is in need of improvement or focus. And then you send that out to the organization and we'll flesh, you might even give your ideas on what you think should be done differently as a result of that and then we'll go out and do that and come back.

You mentioned create and adopt a comprehensive economic strategy. An interesting thing about that is this one, as it's currently stated, you really achieved because at last week's meeting, you on a consent item, adopted the economic development strategic plan. So in actuality it gives you an idea and this material actually went out to the council before you actually formally adopted that. We didn't want to get ahead of the council by suggesting something different. But what you might want to do is change that priority to carry out the adopted comprehensive economic development strategy and there were six highlighted points in the materials that you adopted last week. And that would just direct council to direct staff to begin implementing those things, carry those out, and give you regular progress updates on it. So probably longer winded answer than you wanted.

Councilman Phillips: No, that's fine. It was basically for the public so they understand the process and what we are doing and how it will go about and what we are going to do specifically. So I appreciate that. Thank you.

[Time: 00:12:53]

Mayor Lane: Brent, following on what you just said. As I look down the A through F, there's obviously some things that are either ongoing and things that we wouldn't want to lose as a priority just because we may have adopted the program as you just indicated with the tourism side. But also even with the revitalization efforts, some of the things that are in place and continuing on that. So I think those continue to be worthy goals and objectives.

Now the implementation of the strategy or the direction that we decided to take on it, if I were to just start with the first one and that is A, partner with residents and businesses to revitalize the McDowell Road Corridor. I think we have accomplished that, we've done that or at least that's in process with a couple of the groups that have energized themselves in doing that. And whether or not we continue on that path, as far as that revitalization effort is concerned, it's commingled with a number of other things we are doing with business development.

So I'm not sure that now would be, if I were just to speak towards that one, modifying that one, it's still an area that I think we collectively have an interest in pursuing, is now how do we bring that together

with the city and maybe other business partners down in the area in order to accomplish that revitalization. It's sort of connecting the dots. I don't know exactly how I would want to word that. I'm thinking about what we do in economic development as it relates to just a business attraction into the area and also retention of business in the area. But also then with SkySong and with their efforts and how they can play together well in that regard.

So if I were to just throw something out on that, I think A., we're going to modify that, just to say that we want to continue the efforts of bringing the residents and the businesses together along with the efforts that the city and A.S.U. Foundation with the SkySong are trying to develop for the area to make sure that they're working in concert with one another and not trying, well, that they are working in concert with one another. Yes, Councilwoman Korte?

[Time: 00:15:16]

Councilmember Korte: Thank you, Mayor. So I would like to move on to another item on the list, if that, or do you,

Mayor Lane: I think we should determine whether there's a consensus of feeling as far as that one is concerned, whether we want to modify that or not, if I might Council.

Strategic Initiatives Director Brent Stockwell: Mayor Lane, members of the Council, we can handle this through only dealing with those ones you specifically want to change. If McDowell Road Corridor is important and we are doing the right things and those types of things are in there, then continue on with that one and go to another one where you think either we have completed it or it's not one of the top priorities anymore, or there's something that really hasn't been done that you really think is missing that you need to have added. That's really what we need to do. We don't need to necessarily go through point by point if you don't want to.

Mayor Lane: If that's the case, I would refine what I said earlier. We don't need to expand the language necessarily if it is still a priority. Personally, I believe it is and we want to continue it.

Councilwoman Klapp: Mayor? I would agree with one thing that the Mayor said that we could add into A., because it's not really evident where it says partner with residents and businesses, we could say residents, businesses and A.S.U. SkySong because it is not really a business it's something else. That could be added in there as another partner for revitalization of McDowell Road. I think that's probably a good inclusion. And none of the six points under there that I'm looking at the objectives really makes a mention of SkySong either so we might want to put it in the objective.

Mayor Lane: And I think that in a very real sense that is already happening too.

Councilwoman Klapp: It's happening so it's still priority, but we haven't put it in our objectives.

Mayor Lane: Okay. Any, yes Councilman.

[Time: 00:17:15]

Councilman Smith: Mr. Mayer, thank you. I don't want to take us off track here. If we are talking about A through F and modifications to those, but obviously I wasn't here when these were put together. So I don't have the legacy of understanding that many of you did, as you sat through the sessions to come up with these. But I'm trying to, in my mind, to get a linkage between what I see as the defined strategic goals and some of the priorities.

The first strategic goal that I see is value Scottsdale's unique lifestyle and character. And what I hear from many people when they talk about the character of the city, certainly they mention our heritage and our footprint, if you will, in the arts and the culture. But I don't see anything in the priorities that really goes back to that goal. I don't see the linkage between lifestyle and character and some of the goals and maybe you just wanted to have six or seven priorities and do the rest later. I don't know what the thinking was at the time.

Mayor Lane: If I might Councilman, I would say all of these are subject to those same strategies and characteristics that we want to uphold within the city. I don't want to say it goes without saying, but we are talking about the specifics of area of town, they all have to come in under the same concerns of arts and culture and frankly historical significance and the history of the city and tourism. Actually tourism is specifically mentioned as one, but the idea here is to just focus on the subject without trying to bring in the whole array of things at this point. It should be something that's already considered.

I don't know if I completely answered your subject, but I guess what we are trying to say here, we want to stay as specific as we can to the areas of the city or objectives we want to obtain that are of importance to us or putting a priority on them. But it doesn't mean that it is to the disallowing all the rest of our instructions within our general plan and other mechanisms we have. Vice Mayor.

[Time: 00:19:35]

Vice Mayor Milhaven: I was going to make a similar point to say all the foundations of the four themes and the strategic goals still apply. The way I saw these priorities were to say to staff, here are projects and initiatives we want you to invest your time and resources in moving forward. So while arts and culture, I think is the foundation of what our decisions are, unless you had a specific initiative that you would like to see worked on, I wouldn't see that as being something that belongs on this list of priorities without a specific initiative you would want staff to work on.

[Time: 00:20:10]

Mayor Lane: Councilwoman?

Councilwoman Klapp: I was just going to give a little background. We had a strategic planning session that all of these statements came from and we had a much longer list than this. What we decided to do collectively was come up with six things that we felt we could primarily focus on at that time over the next two years and they still apply. That didn't mean that we disregarded everything



else that was on the list. These were the major priorities, what I would almost call the council work plan because we didn't have one before. We just pretty much reacted to anything that was brought to us as an issue. So we tried to lay out some priorities for the staff to know what we felt they should be working on along with all the other stuff that they already do. These were just the priorities, the collective vision of the council. And it didn't disregard any of the other values that are. We tried to encompass them in these six things, but I know that some people think why isn't this there and why isn't that there? It is because we didn't feel we could tackle the world, we had to put together a list of things that we felt we could accomplish over the next two years. That's how this list came about.

[Time: 00:21:22]

Mayor Lane: I might just add to, that we had a laundry list of items that we all wanted to consider. It was probably some 20 or 30 items. And so we have to get it down to those items that we felt were of the primary prioritized, the primary importance. And that goes to the opening comments of Brent in the instructions, is there something we want to drop off of this or is there something we would like to add to this? Now, we don't have the benefit of that list right now, but there may be items that we would want to at least discuss if there was an add to it.

But if I were to just right now, I'm only making this as a suggestion as the presiding officer, but nevertheless, if we go through A through F and we determine whether or not we want to keep these or whether we want to reword them or drop them, that may be an easy way to facilitate a step by step process through that. Does anybody have any other thoughts on that?

And if I were to go with that, I think there's a consensus here, and again, we are not voting on this, this is just direction, but it's to retain, A, the partner with residents and businesses, add A.S.U. SkySong to it, to revitalize the McDowell Road Corridor. That is just a general overall priority so that direction is there.

[Time: 00:22:48]

Mayor Lane: And I will go to B, provide strategic support of tourism and visitor events. Is that something that we think is worthy of guidance to say we want to keep that as a priority? I will say personally, I think it is. My next thought would be is there something we want to change in that? I don't necessarily think that there's anything to change, we are in process. Vice Mayor?

[Time: 00:23:21]

Vice Mayor Milhaven: I'm certainly in support of keeping this on the list, but I was wondering based on some of the work with the Desert Discovery Center whether we want to call that out specifically as part of this initiative, part of this priority. I would like to hear what others thoughts are on that.

Mayor Lane: Anyone have any thoughts on whether or not to add that element?

Councilmember Korte: I would support that.

Mayor Lane: The only thing I would say on that is it becomes pretty specific to an item, and whether or not we want to have guidance that we go toward that issue. Now, Brent maybe you can give us some guidance on that.

[Time: 00:24:05]

Strategic Initiatives Director Brent Stockwell: Mayor, members of the Council, my general comment would be actually the more specific you can be, the more helpful it is for staff. I know when we got this list, you know, some of these are fairly general. The good thing about a goal is that you know clearly when you have accomplished it, right? So the more specific it is, you know when you have checked that list off. You checked that off the list. If you have a fairly general goal, there's always more to do and, you know and so if there's something specifically you want to add and be very specific about it, then do it. Like, for example, the next one create and adopt a strategy. Check that off. You have done that one. You know? So that's some advice to think about.

[Time: 00:24:46]

Mayor Lane: Yes. Councilwoman Klapp.

Councilwoman Klapp: I would support the concept of adding it as part of the objectives under B. It's one of the things that we will be doing in order to support that goal. There's the development of a strategy of accomplishing the building of the Desert Discovery Center or something to that effect because it definitely is a tourism attraction.

[Time: 00:25:13]

Mayor Lane: Councilman Smith?

Councilman Smith: Well, I think I probably support, I am on record as supporting the concept of some kind of a facility that compliments the Preserve, call it a Desert Discovery Center or whatever. I'm a little reluctant to put it in since we don't know what it is. And I think that may have more specificity than what the Council really, or what the staff really needs. If there was a way to articulate the objective of having some kind of an interpretive facility that compliments the Preserve that we accumulated, but I would like to leave as much latitude as we can for defining it.

[Time: 00:26:07]

Mayor Lane: You know, I think it's sort of interesting when we talk about specifics and I like that myself to a degree. But we're not making the decision here. This may this is an objective to consider in support of item B which provides strategic support for tourism and visitor events, of tourism and visitor events. So I think that it can be mentioned without it necessarily, and I'm not sure if there's more general language of an item like the Desert Discovery Center or the Desert Discovery Center. It's still to be determined by this body as to whether or not it has that name, what

happens ultimately with it or whether it's available to us as a possibility. Yes? Councilmember Korte.

[Time: 00:26:58]

Councilmember Korte: Thank you, Mayor. I support actually using Desert Discovery Center because it still is in a concept phase. We don't know what that's going to be until we see it and we see the business plan and all of that. So Desert Discovery Center is itself in the concept.

Mayor Lane: Yes, Councilman Phillips.

[Time: 00:27:24]

Councilman Phillips: Thank you. Well, you know, as part of strategic tourism and visitor events, are other events listed in there? Do you have other events listed in there, that's a, can Desert Discovery Center be included in the list of events? Because I don't want to, you know, single it out but if it's included in the list of events.

Strategic Initiatives Director Brent Stockwell: Mayor Lane, and Councilman Phillips, what we could do is if there was interest in putting something related to the Desert Discovery Center in there, we could take that direction. And what we could do, we wouldn't modify this overall Council priority but we would bring you back the new organization strategic plan as an attachment to the resolution and in it, it would have some language that we think would work in supporting initiatives related to that. So it would be clear how we interpreted what your priority was. And you don't have to wordsmith it tonight. We can do that afterwards. We just need to know. Do you want an objective related to that in there?

Mayor Lane: Alright, yes? Councilman Smith?

[Time: 00:28:29]

Councilman Smith: Well, I think that's probably a good solution, Brent, putting it into the strategic plan. And then I would ask, moving off of the Desert Discovery Center for a moment, but within this same question or same priority item, could we put in something that, or could you interpret from our comments some strategic plan goals related to what I call the downtown footprint? I consider the Old Town Scottsdale not the entertainment district, but the genuine Old Town Scottsdale as being one of our major tourism venues. Ad I would like to see us have an affirmative strategic plan for protecting that footprint, expanding it, embellishing it, whatever. Again, without particular specificity but just as an earmark in the strategic plans, this is important to us. Thank you, Mayor.

Mayor Lane: Thank you, Councilman. Yes, Councilwoman Littlefield.

[Time: 00:29:31]

Councilwoman Littlefield: Thank you, Mayor. I like that idea that Councilman Smith just said to earmark the downtown as an area to be studying and looking at and concentrating on, with no specificity, but, you know, taking into account what the people who have businesses there want and where we're going with that.

As far as the Desert Discovery Center goes, I'm very reluctant to name it directly as a goal in this document. We don't know even where it's going to be at this point. We don't know how it's going to be funded. We don't know if it's going to be in the Preserve. We are breaking all of our rules for the Preserve. Is that what we want to do? If it's going to be outside the gateway, are we going to donate land from the Preserve and cede it back? There are a lot of things that were never discussed in this Council regarding this and regarding how it will be put together. If it's going to be put together, how are we going to pay for it? It's a lot of stuff. I'm not necessarily against it. I am not against the Desert Discovery per se, but I don't want to make it a goal until we know what it is that we are actually talking about.

Mayor Lane: Yeah, and if I were just to try to address that a little bit, I don't think we are making it a goal here. It's a matter of supporting an objective in this direction to evaluate. We are already scheduled actually to evaluate and to have a meeting on this very subject. So we are in the process of this if we want to indicate it specifically. When we put these together originally, we hadn't really completed the Museum of the West or even maybe some of the transformation at TNEC or the TPC. All of those things fall in under this as an enhancement and our efforts to enhance tourism and support those goals. But I appreciate and hear what you are saying. I just don't believe that necessarily we are setting it as a goal here, but maybe Brent, you can clarify.

Strategic Initiatives Director Brent Stockwell: Two thoughts. In the existing priority there is the first objective under there is achieve year one and two objectives in the tourism development and marketing strategic plan which is what the Council adopted. What we can do is we can highlight out some of those key objectives in there, including the downtown, including something related to the Desert Discovery Center, making sure that the council has the opportunity to weigh in on a number of these key issues like the ones you identified and then that would be part of the organization's strategic plan. It would just give you a roadmap to make sure that if staff brings these forward and if staff accomplishes these things and brings them forward that that's what you want us to do over the next year. That's what this is about, not actually building it or, you know, or having a forgone decision.

Mayor Lane: Yes.

Councilwoman Littlefield: That's what I don't want.

Mayor Lane: Councilwoman?

[Time: 00:32:32]

Councilwoman Klapp: I was going to ask the question, wasn't the downtown called out in the economic development strategic plan as well? Isn't it encompassed in that plan?

Strategic Initiatives Director Brent Stockwell: My recollection is the downtown is called out in both the tourism development strategic plan and the economic development strategic plan.

Councilwoman Klapp: It's implicit in both of them.

Strategic Initiatives Director Brent Stockwell: Highlight both of them. Yes.

[Time: 00:32:52]

Mayor Lane: Okay. So do you have with regard to B, sufficient guidance on that? And C, create and adopt a comprehensive economic development strategy. I think it probably goes without saying that we have done that. And, of course, the implementation of it might be the next logical thing for us to talk about. So language that would support now reviewing and considering the support for those items that have been outlined within the comprehensive economic development strategy plan that we would be looking to do that. Does that still sound like a priority for everyone? Yes?  
Councilwoman.

[Time: 00:33:34]

Councilmember Korte: Mayor it's actually under initiatives within that section, in develop annual implementation plan and measures.

Mayor Lane: I'm sorry maybe I'm looking at something different. I'm just looking at the council priorities right now. We are going down through that. You are saying, where is that now?

Councilmember Korte: So in the broader look at these priorities, it's broken into objectives and initiatives and then a timeline and then status. And that particular section of economic development strategy under initiative is develop annual implementation plan and measures. So it's there.

Mayor Lane: Yes. And all I'm saying on the priorities, this is being A through F, we probably need to drop the words "create and adopt." Since we have done that and just replace it with --

Councilmember Korte: Yeah, sorry.

Strategic Initiatives Director Brent Stockwell: So Mayor, if I may. Last night we were thinking you might get to this point. So we have just shown create and adopt and change the word to carry out.

Mayor Lane: Is this the cheat sheet you didn't give me?

Strategic Initiatives Director Brent Stockwell: Yes. And looking at the Council report from last week, if we have a priority on carrying out the adopted comprehensive development strategy, those were the six main objectives that were outlined in that council report. And so that just kind of sign posts for you what we would do. Okay?

[Time: 00:35:10]

Mayor Lane: Okay, alright, so then for C, we would just drop that and, of course, this would follow in support of that. Okay.

The next item is D, develop a transportation strategy that anticipates future needs. I have to submit you to that I'm not really clear as to exactly where we might be on any new transportation strategy or study. Have we gone to work as far as, I know that there are certain things that involve the transportation study or the master plan that's already in place, but the development of future needs, I'm not sure if that plays into that or if there's a supplement to that.

Strategic Initiatives Director Brent Stockwell: So Mayor and City Councilmembers, on this item in particular, it talks about, sorry. The transportation master plan is based on the general plan and because the general plan update is in process, once the general plan is adopted then a new transportation master plan, based on the general plan would be done. In the interim between that, Paul Basha has come to you a couple of times and talked to you about a number of things that are happening more immediately with transportation. Some improvements in transit and some improvements in the streetscapes and other things that are being done. And if you want to continue on that direction, then keep the priority the way it is. If there's something specific that we are not doing, that you think we need to focus on, then this would be where to make the changes.

Mayor Lane: Well then it's not calling out for the new development but on ongoing development of a transportation strategy that anticipates future needs that the transportation department, Paul Basha is working on. That's what we are working under right now. Until such time as we have the general plan 2035 passed and completed we don't have any permanent update to the transportation master plan. Is that what I understand you to say?

Strategic Initiatives Director Brent Stockwell: You need to implement the current master transportation plan until you have the new general plan and then they will update the next one. I believe they are already starting in the process to update the next one concurrent with this.

Mayor Lane: Okay, alright. Then I would say and submit that we could probably leave this just as it is. It's still a priority. Yes, councilwoman? Vice mayor?

[Time: 00:37:44]

Vice Mayor Milhaven: Yes Mayor, we are moving forward with the existing transportation master plan. Parts of the existing plan are silent on what I think some of the key needs are and it anticipated some additional work that's not yet been done since the 2010 plan. Mr. Basha's come here and been very articulate about what some of our challenges are in transportation, but he's not recommended any, given us any options to consider to improve our transportation connections. And I think that we should move forward with considering what our options are to improve our regional connections and improve the ability to get around town without waiting for the next general plan. I think we are

kicking the can down the road and I think Mr. Basha has shown us we are in pretty bad straits in terms of the transportation. I think waiting only makes matters worse.

I would like to see us be more proactive around this transportation strategy and how we are making decisions, implementing it according to the existing plan. And I would like to have more clarity around, I know there's ADOT committees and M.A.G. committees and things like that, that members of this body sit on and I would like to understand better what's happening with those conversations and what policies are driving decisions or votes people are making at those tables. So the bottom line is I would like to modify this so that we could be more engaged and more informed.

Mayor Lane: Councilmember Korte.

[Time: 00:39:23]

Councilmember Korte: Thank you Mayor. So we know that we're, if this community decided today to implement some type of fixed transit, we know that ground would not be broken for 35 years because there's no money. So that is part of the issue and I think that's what we need to have the conversation around. What does a good public transit system, how does that affect our economic development future. How does that affect our tourism and visitor choices and the future? The future of our tourism? I think that's a conversation that we need to start having before 2035.

[Time: 00:40:28]

Mayor Lane: Well, obviously, the wait wouldn't be 2035 it is the passage of that general plan that we are hoping to have within the next year or so. What I would say further in this, is that one obstacles has been just what Councilmember Korte just mentioned and that is funding, whether it be from M.A.G. resources or our own resources, transportation, sales tax and that. Or from capital bonds, general obligation bonds, which is something I think if we are going to be looking at this truly, even on the consistent with what we have here, we need to make sure that our review of the bond requests that are coming from transportation are consistent with what we are talking about here on a short term, as well as potentially long term.

But I don't think and I'm trying to keep this within the scope of this conversation of these priorities and whether they are still are priorities or not and need to be modified. I don't necessarily think that this one needs to be changed. I'm not sure if I'm wedded to the idea of developing a transportation strategy. We are not actually developing it. Well, we as a city are but we haven't, we don't have a master plan in development. We don't have a plan considering the future needs, is Paul in the audience? I wouldn't want to, no, I'm not even asking him to speak. I was just going to say, I presume Paul is putting some of these future needs into some kind of strategy or is thinking about these. And that may be what we are talking about here. Maybe Paul is developing this transportation strategy.

Strategic Initiatives Director Brent Stockwell: Mayor Lane and members of the Council, if you were to look at the detail behind priority D here, you would see there are a number of major things in this area

where the delivery date is by the end of this calendar year. So for example, identify, evaluate the complete spectrum of available transit technologies and recommend potential Scottsdale feasible transit systems by December 2015, just to name one. But there are other ones in there. So if you retain this one, and keeping on track, a number of these things will be coming forward to you over the next year. And we can also include in there bringing back to the council a work study to talk about some of the more kind of comprehensive transportation issues that the vice mayor mentioned, if there's interest in that.

Mayor Lane: Yes, Councilwoman Klapp.

[Time: 00:43:14]

Councilwoman Klapp: Well, I'm aware of some of the things that Paul has brought to us recently that he's implementing such as increasing the frequency of bus routes in order to match what's happening in Phoenix. I think that's a good strategy. But what, and there's some other things that I personally would like to see included in that strategy and he and I talked about it and I know that it's all related money. But it would be that we have another neighborhood circulator available for the area of surrounding Scottsdale Healthcare, Shea Boulevard and Via Linda, that area. They need a neighborhood circulator as much as needed in south Scottsdale. So that's a need that I don't know if we can fund.

So what I would suggest we might consider and this is just off the top of my head and it may not be a good idea, but because we have a number of council people that are interested in this area, the Mayor might consider having a transportation subcommittee of the council to discuss transportation issues that we don't seem to be getting enough good information about. There's a lot of interest in it. So maybe there needs to be a separate transportation committee conversation that takes place among certain members of the council that could better educate those that are interested in what's really going to be happening with transit over the course of the next five to seven years.

Mayor Lane: Even though it's not a subject of this work study.

Councilwoman Klapp: It's a suggestion.

Mayor Lane: But it's certainly consistent with what we are trying to plan going forward. We will make note of that for sure. Yes.

[Time: 00:44:49]

Vice Mayor Milhaven: Personally, I think that's a great idea. Thank you for suggesting that. I also think maybe a broader, another work study around transportation in anticipation of the budget because we are making decisions as part of the budget to say how much pavement improvement versus how many vehicles and, you know, how are we choosing to spend our limited resources. While I don't have any personal objections to roundabouts do we want to be putting in roundabouts at the sake of not creating another connection to the regional system. I know staff is doing their best



but I would like to elevate that conversation as part of the budget.

Mayor Lane: Yes, Councilwoman Littlefield.

[Time: 00:45:27]

Councilwoman Littlefield: I would agree with Vice Mayor Milhaven on that. I think a solid understanding of what is going on in transportation, what are the options and the costs and prioritizing not only by Mr. Basha but also the Council as to what we want to see our money used for, for the good of Scottsdale. I think that's good.

[Time: 00:46:52]

Mayor Lane: That's so noted. And I'm presuming that obviously under D, develop a transportation strategy that anticipates future needs, we can certainly indicate some of these suggestions as avenues we might want to employ. But that's subject to another discussion individually.

So if I were to move on to E, prepare and adopt a fiscally sustaining operating and capital budget, I think that's an ongoing priority for us. I don't know that there's any change that we need to -- it's one of those annual events like birthdays.

Strategic Initiatives Director Brent Stockwell: It's an ongoing item and I know our budget director will be delighted to refresh all of the objectives in here because all of them are currently showing as completed because they were, you know, fairly specific. But as you said, it's like birthdays. So we can refresh that and bring that forward.

[Time: 00:46:58]

Mayor Lane: Alright and moving on to F, that's the reinvest in a high performance and work culture. That's, I don't know if nebulous is the right word, but it's one of those high-minded kind of ideas that I'm not sure exactly how we quantified it in the specifics.

Strategic Initiatives Director Brent Stockwell: Mayor and members of the council, objectives in this area are focused in three areas. The first area was within performance evaluations we implemented online performance evaluation with goals for all employees, the first year those evaluations is this year. The second one is about reinvesting in training and learning opportunities and we have done a number of things related to that. We didn't have any staff focusing on that area. We created a staff team focusing on that area. And the third objective was related to fair and equitable kind of market based competitive pay program. And as you know, we are talking about that issue, both in specific areas of the organization you talked about that issue in general. So those are the current objectives that flesh out that area, if there's something specific you want staff to do differently, or in addition to that, you know, we are welcome to that feedback.

Mayor Lane: In that particular case, are those items considered completed?

Strategic Initiatives Director Brent Stockwell: They are all considered in progress. So with performance evaluations compensation and training, those are things you will probably never really be done with. There's always something more to do with it, but all of them are in progress, in good progress.

Mayor Lane: Well, it's the kind of thing that I don't think any one of us, I don't believe, would want to drop it off. It's an ongoing priority for us. If we need to develop a specific tactics maybe to employ on this, maybe that's something that we would like to see come back, unless we have some other thoughts here, Vice Mayor.

[Time: 00:49:05]

Vice Mayor Milhaven: I just have two things I would like to talk about, potentially adding to this. The first one might be some kind of a climate survey, which is pretty fairly common practice in the private sector around how do people like working here, is it a fair and equitable organization. To get a sense of the climate, how well leadership is leading within the organization, and so perhaps looking into potentially doing some kind of a climate survey annually.

And then the second thing is whether or not our policies and procedures are adequate to protect us from any liability or risk. In my mind the human resources department and the city manager have a responsibility to make sure that all of our policies are applied fairly and avoid risk and just make sure that we have got all the right policies, procedures, ordinances, whatever is required to make sure that the ultimate decision around exceptions and, you know, raises and things like that are approved by the right levels so that it takes out the opportunity for inequities in the system. So how do I say that better? That everybody is doing the same thing and following the same rules.

Mayor Lane: Well, if I got one thing from that, it was a suggestion to have a specific type of survey, satisfaction survey, if you will from the employee base.

Vice Mayor Milhaven: Right an annual survey of employees.

Mayor Lane: I don't know if we have done that in the past, but I know the subject has come up before.

Strategic Initiatives Director Brent Stockwell: Yes Mayor, we have and the most recent kind of what I would call climate survey that was done was done in 2011. We probably picked the worst time ever to do it. We had just announced layoffs and then we asked employees how do you feel about working for the city of Scottsdale. And so it certainly set the baseline probably pretty low.

But the important thing about any climate survey that you do is that you take whatever results you receive and then you actually do something about them. And so there's got to be that organizational commitment and, you know, that council commitment that if you hear these things through the employees that you will carry that out. We've had some conversations about, you know, when is the

appropriate time to do the next one. We are not recommending one in this current year, but it's something that we look at and think about each year.

Also last year, A.S.U. came in and did a fairly specific survey on reasons why people wanted to stay or would potentially leave from the city and, you know, all the results from those surveys, you know, we made those available and we posted those out. But that wasn't kind of your more general climate survey.

So kind of what our philosophy has been is to kind of stagger these out every few years so that you have enough significant change that any change that you see in the survey is not just natural variation, but truly measuring something significant. That's the same philosophy we use on our citizen survey. We do those about every three years. We probably are, so on a three-year time frame, we would be due for a climate survey, but with a kind of new city manager, new human resources director and knowing a lot of these things are in progress, I think one of the other thoughts was to allow them to get implemented and done and kind of go back out again and ask about it. That's just some thoughts on those.

Mayor Lane: Just an observation on that. A climate survey is more of a management tool with regard to the human resources, and I think that it's imperative or at least it's incumbent upon us to make sure that we are in sync with what city management is looking to do and I would defer to that, even though I think it's worthy of some consideration. Yes, Councilwoman Klapp?

[Time: 00:53:08]

Councilwoman Klapp: Did you mention that there's a committee working on training programs or concept of training? Did I hear that comment?

Strategic Initiatives Director Brent Stockwell: Yes Mayor, Councilwoman Klapp, members of the Council, yes, both as a staff team. So there are three trainers in the human resources department that are training and developing training plans. They have also built around them a training advisory committee that's an inner division team of employees that's providing feedback on what the training needs are and that's in progress.

Councilwoman Klapp: And does this include any educational opportunities outside of the city as well as far as training that might be needed by some of the employees to go to college classes or get their degree, et cetera or is it pertaining to internal training?

Strategic Initiatives Director Brent Stockwell: I believe they are primarily focused on internal training opportunities although there's other opportunities that, you know, somewhat intersect there, the support of Scottsdale Leadership is kind of a piece that's on there, tuition reimbursements those kind of things.

Councilwoman Klapp: I would hope you expand this year a little bit the reimbursement portion of it. We really have a really small budget for a city of this size to be reimbursing for tuition for various

things. So hopefully that's being discussed as well because I do believe it's important to help, for management to help their people to discuss what they need to do in order to improve what kind of classes they might need, whether they need to a degree, et cetera. Those are really important to keep, I believe, to keep people happy with working at the city. If they need education, usually most employers have some kind of an educational reimbursement program available to them for that kind of need.

Mayor Lane: Yes.

Strategic Initiatives Director Brent Stockwell: Mayor, members of Council, if I could make one more thing about the climate survey. One thing we did is we looked at the survey that was conducted in 2013 and I looked at the survey that was conducted 2013 and the survey that was conducted in 2011. And then even went back and looked at the prior survey conducted in 2008 or 2009. And the similarity between the issues was the same and they were about pay, about evaluations, it was about training, it was about all the type of things that are included as objectives in here. Those are precisely the types of things we were hearing we needed to focus on. And so very likely if another one was done, it would highlight those exact same things. I thought that was worth mentioning.

[Time: 00:55:43]

Mayor Lane: Vice Mayor.

Vice Mayor Milhaven: I think it's something worth pursuing. I agree with the Mayor, we need to be in line with what leadership would like to see but I come from a world that says we do annual climate surveys, work groups get their individual scores, individual leaders get a feel for how effective they are with their work group, the work group gets to put together a plan that addresses the work climate and so just as you said at the top of your comments the surveys are only as good as the plans and the work that go in around them. So I think that there's lots of opportunities. So you are right, at the top of the house, it may be those issues but I think as you take it down lower, then there are other practical considerations.

While I certainly wouldn't presume to tell you what to do I guess what I wanted to do is suggest that the city's leadership look at doing some kind of a climate survey and some kind of employee planning around that and look for a recommendation from you whether it's annual or triennial, I will look forward to a recommendation.

[Time: 00:56:36]

Mayor Lane: Thank you, Vice Mayor. I think there was one other suggestion, oh, I'm sorry. Councilwoman. I didn't see your hand.

Councilwoman Littlefield: Well, a stray thought just kind of wandered by and I grabbed it. I have no idea if it's very good or not, but it's something I thought I might throw out there since you are looking for stray thoughts. It might be interesting to do something like a climate survey at the

same time we do a citizen survey. And ask if not the same questions, some questions pertinent to how do the employees feel they are producing their services to the citizens versus how do the citizens feel on the same kind of general areas. It might be of interest to do a comparison like that and see where we mesh and possibly where the city as a whole doesn't mesh. It's just something to add to a survey if we are going to do one.

[Time: 00:57:30]

Mayor Lane: Thank you, Councilwoman. Councilman Smith.

Councilman Smith: Thank you, Mayor. This may be presumed in what you are jotting down in notes there, Brent, but whatever we do in surveys for employee surveys or community surveys or whatever, let's always be mindful that they be statistically valid and scientifically valid. I think it can be very misleading if we just put out an email to employees and say tell us what you think about things or even to citizens because you only get people on the fringes of the bell curve that respond to those. But it's possible to get statistically accurate, scientifically accurate surveys and I would like that to be true of all surveys that we do.

Strategic Initiatives Director Brent Stockwell: Mayor, Councilman Smith, that's correct. When we do the citizen survey and when we do the employee survey, we use a cost effective vendor that does a scientific sample and does that. It's something that you want to be careful of.

[Time: 00:58:37]

Mayor Lane: Well, there's at least a consideration for a climate survey kind of thing that we want to take a look at, but we certainly want to be as I think it has been agreed in sync with management's objectives in the area and the work around to make sure it is an accurate kind of survey in the sense of what we ask and what we are hoping to get out of it. The other thing that was mentioned was the availability of funds for school, for degrees or otherwise, college graduates or training. I don't know, I know that several years ago, that fund was cut substantially for budgetary reasons. I think it would be interesting to know before we set upon with that, as to what use and have those funds been exhausted each year or come close to it or otherwise. Has there been a strain on it. I would agree overall, if it's needed or requested, and again, this would go to management's objectives in the area, I think it would be a good thing to consider as well.

Strategic Initiatives Director Brent Stockwell: So Mayor, what I'm hearing, is it would be helpful to provide feedback on how that program has been going?

Mayor Lane: Yeah. Yeah. Well, that concludes our priorities list in any case.

[Time: 01:00:05]

Mayor Lane: But it does not exclude the possibility, if there is another priority that's outside the realm of these that we would want to add to this.

Strategic Initiatives Director Brent Stockwell: So Mayor Lane, members of Council this was the slide that I received from council colleagues and so you might want to invite councilmembers to speak to these possible new priorities that they have suggested.

Mayor Lane: Okay. So the first additional idea for priorities, ensure a safe and secure atmosphere for our residents and guests. Yes? Vice Mayor?

[Time: 01:00:51]

Vice Mayor Milhaven: As I look at these suggestions and then if I look at the strategic goals that are at the top of the page here where you have the mission statement, strategic goals. These look very consistent with the strategic goals that already exist and as Councilwoman Klapp said, these priorities that we are discussing today are really sort of the like the work plan that we are giving to staff. So folks who are suggesting these changes, I would like to understand what they see the work plan would be because I think these are already captured within the strategic goals.

Mayor Lane: Thank you, Vice Mayor. And I would tend to concur with that. So I don't know if there's any, yes, Councilwoman Littlefield.

[Time: 01:01:40]

Councilwoman Littlefield: Well, one of those is mine. Mine is the third one down, the last one. And I put that in to match with goal number three, enhance neighborhoods. Protect and enhance the sustainability and high quality of life in Scottsdale neighborhoods. There's nothing in these other priorities as listed that shows neighborhoods throughout Scottsdale, only the McDowell corridor. Therefore, there's no mechanism to meet and reach that particular goal within the priorities listed. The problem I see is that it doesn't reflect the priorities of the Scottsdale residents. Who we, the council and staff, are supposed to be serving.

The giveaway is that in the plan's mission statement, simply better service for a world-class community, of course, Scottsdale residents want world-class community and world-class service, but that's only part of what residents want. They also want their city government to protect and enhance existing residential neighborhoods from the negative side effects of overdevelopment. Right now, that's what they are most concerned with and they are rightly so.

The strategic plan gives lip service to these priorities when it refers to the goals of the voter approved 2001 general plan. But after that the plan says very little about how city government will protect and enhance the high quality of life that is expected in our existing residential neighborhoods from the effects of over development. Ironically, these exact same areas in which citizens believe Scottsdale government has not done a very good job over the past ten years and we know this because this has created a very high level of distrust and fear and we can all see this in our residents. These are exactly the areas that we should be working in in order to improve our performance and because this plan doesn't really address this subject, it falls short. My priority is an addition to attempt to refocus

our vision alongside that of our citizens' concerns regarding their quality of life and the sustainability of their lifestyles within existing neighborhoods. Thank you.

[Time: 01:04:10]

Mayor Lane: Thank you for that statement. Councilwoman, I would ask how would we be directing to meet that particular goal. I don't take exception to what you are saying, but I will say in this list of priorities, we are looking to give guidance to staff as to what they need to do to in order to facilitate this. And I'm wondering, it's a broad stroke. I do think some of this is covered, certainly in a lot of areas that are meant to guide us, whether or not the general public or individuals here on this council feel, if so it is meant to guide us and we will deal with this to the best that we can. What I'm thinking about if we have a priority of how we want to ask staff to address that concern, what would we be saying?

The first two, I suppose, we could say that something about evaluate staffing of fire and E.M.S. and of the police department. We could make that an objective we could go for a staffing report or something like that. That's the kind of guidance I'm thinking about.

The second one, strong schools throughout Scottsdale. That's a tough one for our staff to address. We work closely with them but it's not necessarily our primary objective for the city of Scottsdale. So I don't see that one as one we could haven even considered for some level of attention to be given. Protect and enhance the sustainable high quality of life in our existing neighborhoods which is the one you are referring to I suppose, again, you could be talking about public safety, transportation, street maintenance, those kinds of things, if that's what you said. But from what I just heard you say, it's more about trust and it's more about actions this council takes that may not be consistent with the feelings in some neighborhoods.

[Time: 01:06:15]

Councilwoman Littlefield: Well, it mostly has to deal with the development that runs along and near and sometimes in neighborhood development. People feel like their voices are not heard and perhaps we need to have some sort of a standard that takes into account what our citizens say when development comes and abuts onto their neighborhood and perhaps we need to have some sort of a critique from staff as to what impacts a development may have in any particular neighborhood. Especially those that touch or are across the street from or that affect the quality of life of a neighborhood. And if it's a good quality of life change or a negative one and why. I think you can get some of that by interviewing the people that are directly related to that.

I will give you an example of one that is going on right now and that is with the new brewery going down on Scottsdale Road. A number of neighbors who are directly affected by that were not listened to. I think that is something that needs to be addressed and how we consider our development into the future and how we consider what is good for Scottsdale and what isn't. What those priorities and action items are, I would like to see staff come back and give me a list of things that they think they could do and would work and would give us a sense of how that is going to affect people going

forward.

[Time: 01:07:51]

Mayor Lane: Well, Councilwoman Littlefield, what you are suggesting would be a change of our political process. Really, I think we do have a process in place. Whether it works effectively for everybody involved as far as whether they feel they are listened to or not, that is always subject to some interpretation and I understand that. We are sympathetic all of us at this table to those kinds of situations, but at the same time, right now what we are talking about is what guidance we give to staff. We don't generally tell the staff to change our political process and what we are to do or not do. We are here to be guiding them in how do they implement the kinds of processes we have.

Councilwoman Littlefield: I'm not saying to change the political process. What I'm saying is when a development comes before the City Council, the staff should have some sort of a set standard of influence that's going to happen to the neighbors that are surrounding it and that's very rarely heard when a development is discussed in front of Council.

Mayor Lane: Well, number one, there are laws, there are ordinances, there are guidelines and all manner of issues that we go through in our process, whether it's the planning commission or the DRB there are a number of things and then, of course, it comes to the Council for those considerations. There's outreaches that are mandated by our policies and that. So that is the process that's been put in place. If that were to be changed that's something that this Council would have to decide on. If we are making a suggestion to change how we communicate, how we gather information, and how we listen to people, I have a little bit of difficulty with how we might implement it. Any other thoughts on this? Yes, Councilwoman Korte.

[Time: 01:09:37]

Councilmember Korte: Thank you, Mayor. And I will throw this out because clearly strong neighborhoods and quality neighborhoods are an important point to economic development strategy. One could say that. So perhaps that becomes an objective just in maintaining strong neighborhoods as part of an economic development strategy. I'm just throwing that out.

Mayor Lane: No, I think that's reasonably broad. It's a broad process. I suppose what I guess the underlying direction would be, really is to us, not to staff. How do we implement the guidelines and the ordinances and things that are in place to make sure that we listen to people? Because ultimately, it comes down to this body when we have a change in zoning or how a developer or a development interacts with neighboring communities. So it's of great concern to us and it goes to that point. We are very much involved with maintaining strong neighborhoods. But sometimes that's seen a little differently from one hand to another. So I have no problem with putting in something along that line, but I'm a little concerned as to how that would be interpreted. And Brent maybe I will ask you for some thoughts as to how we would now without diminishing a system, a process and frankly the authority of this Council, how would we direct staff?



Strategic Initiatives Director Brent Stockwell: If the direction of the Council was to go out and flesh a priority that's either written this way as Councilwoman Littlefield had mentioned or included as an objective in the economic development item, what we would do is we would go out and brainstorm a list of objectives and kind of listen to things that the Council might want to do, and things the staff might want to do and bring that back for you. And then could you have a discussion when you formally adopt the priorities and you could tell us, were we on target or is this what you want to do? Is this not what you want to do? So certainly, within the zoning ordinance and how different departments have developed over the years, we tried different things and done different things related to neighborhood impacts. We could lay that out for you and say does this work? Is this what you want to do in this day and age or do you want to do something different? If it's the Council's direction, we can flesh it out and bring it back to you at a later date.

[Time: 01:12:17]

Mayor Lane: Yes, Vice Mayor.

Vice Mayor Milhaven: I'm not interested in making it a separate priority. I think we have procedures and council reports to tell us what the impact is. Folks may agree or disagree on the impact. Five people say they want the project and five people come and say they don't want the project and whatever way the vote goes, the people who didn't win say we were not listening when we were listening, there's no way to please everybody when we take a vote. I'm comfortable that it's really a matter of policy in how we make decisions and the staff gives us some adequate information about the impact of zoning changes.

I am, however, willing to as a nod to Councilwoman Littlefield concerns about neighborhoods willing to make a sub point as Councilmember Korte suggested if we make it one of the items under economic development, just recognizing that strong neighborhoods create a good community and leading it as a sub point rather than a big category. That would be my preference.

[Time: 01:13:24]

Mayor Lane: Yes, Councilman Phillips.

Councilman Phillips: So when I look at it, like the safe, secure atmosphere and encourage the support of strong schools, those two kind of go under the bottom one, in the enhanced neighborhoods. It's like we already got it. It would be more of a direction to staff under the subtitles to include these things also. I'm curious as to the rest of council what they feel about encouraging the supporting strong schools because especially right now, we are having a big problem with SUSD and different items going on.

Then everyone says what does the city have to say about it? And I'm frankly tired of saying, it's none of our business and we have nothing to do with it. It's in our city and the Scottsdale school district is in our city and yet we have no say in the matter. Maybe we should. Maybe we should get in that conversation. So if Council is willing to agree with that, maybe we can include that as part of the

enhanced neighborhoods to get in that conversation.

Mayor Lane: You know, there have been some dramatic effects taking place where school districts have been done away with and the cities have actually taken over administration of the schools. That's generally been in pretty desperate situations. It's not just a matter of the school district and the parental control within that district. In the city of Los Angeles and frankly I think a city back east, where they had to take it over, but for far worse reasons. More often than not, that's generally not the way most school districts want to go. But anyway, Councilwoman.

[Time: 01:15:03]

Councilwoman Klapp: As I recall, the economic development strategic plan addressed our relationship to the schools. I'm sure that in their strategies that they are developing to implement the plan, there could be a little bit more discussion about the relationship of Scottsdale to the school system, but we didn't ignore it in the economic development strategic plan. It's in there.

We do know that we don't have direct responsibility for the schools, but we do have already relationships for the schools. We have intergovernmental agreements with the schools. We provide school resource officers. We have a lot of input into some things that are happening within the schools. So I think the economic development of strategic plan is the place that they can address a little bit more about our relationship to the schools and whether or not we should be involved in some issue would be possibly addressed through that plan.

But I do agree that we get constant calls about, you know, what do we think about what's happening within the schools and it's an important subject, and hopefully I think through economic development, we can find of flesh out what kind of participation we want to have with the schools on some of these issues.

Councilman Phillips: Excuse me, so it's not a private conversation, but are you talking about the economic subcommittee?

Councilwoman Klapp: No, the economic development strategic plan that we just adopted addressed the city's relationship to the school system. And working with the schools on issues that are related to the operation of the city of Scottsdale even or the operation of the schools. So I don't think we have disregarded the support for the school system in our goals. It was addressed in the economic development and the strategic plan specifically, that there's a relationship that needs to be encouraged and supported and developed and I'm sure as the department is working on the strategies, to implement that plan, some of these things that relates to the schools can come back to us and we can further discuss and see if they are on the right track. At least that's what I think is happening in the plan. Am I correct?

Strategic Initiatives Director Brent Stockwell: Yes.

Councilwoman Klapp: I think it is a part of the economic development plan.

[Time: 01:17:14]

Mayor Lane: Yes, Councilman Smith.

Councilman Smith: Well, if the school is the topic I'm talking about, I guess I have two problems with that. One, I don't know how we would give staff any instruction or how they would come back with specific action steps that would, in fact, be encourage and support strong schools. That's one problem. It's setting a goal that I'm not sure we can implement.

The second problem I think are I have with it is if the schools said they wanted a strategy to support or encourage strong government and instructing their staff to make it happen, we would think that is sort of none of their business. It's obviously our business and it probably becomes our business in the broad sense of economic development as some have mentioned and I think that's the arena to develop the relationships because economic development will depend on strong schools and it will depend on strong government. I just don't know how we would tell staff to come up with a set of action steps.

[Time: 01:18:30]

Mayor Lane: All right, well thank you for that input. I think we probably have, I believe there is a consensus. Obviously it can be taken differently right now, but the first two are not to be considered as additional items and that the last one might be considered as a subset to item C.

Strategic Initiatives Director Brent Stockwell: So Mayor and members of the City Council, so what we will do is we will flesh out that economic development priority with objectives, initiatives and measures and bring that back to you as part of that plan. And one thing that I was noticing as I was listening to you, is Councilwoman Littlefield was talking about the impacts of new development on the existing community and so we'll see if there's some way that we can work in how to mitigate the impacts of new development. As you are doing economic development on the people that are already here and that might be a way to get a priority with objectives that include many of the things that you all are talking about.

Mayor Lane: Yes, Councilman Phillips.

[Time: 01:19:37]

Councilman Phillips: Well, I would like to make a comment that, you know, schools and economic development go hand in hand and whether we can say or do anything about it is one thing. But you know, I'm getting emails from people saying we are pulling our kids out of the district because they don't like what's going on. If they are leaving Scottsdale, that's not good for Scottsdale or any economic development or any big business who wants to bring 1300 employees here. They said, no, I heard that Scottsdale is a bad place to go to raise my kids because the schools are so lousy. It's definitely a part of it and something we have to think about and be a part of somehow. Because, you

know, they go hand in hand. You can't let one die without the other.

As far as Councilman Smith is concerned, you would say, well who is taller? Is it the city government or the school system? The schools are not going to tell us what to do. I'm not saying we will tell them what to do, but I think we should have a dialogue so we can help each other and work together so it is a big strong community as one instead of this one is messing up, and we are not going to say anything about it, we are just going to watch them go down the tubes. I think we should have a dialogue somewhere. I understand economic development is talking about it. It doesn't seem like we have an action plan. I'm just concerned about it. I think in the future we might have some problems if we don't address them.

Mayor Lane: There's no doubt that there are some real problems there and there are a number of different reasons for it as far as whether it's a dispute on common core or whether it's funding or whether it was other issues that may be coming up with a new state budget. There are all kinds of issues, but I hear some of the same things you do. But I will say that I think our approach with economic development is the surest and best way for us to affect it, not only with ourselves but with our regional partners as to what's happening to our schools, our educational system on the overall. And so that's about as, it may be a broad stroke but it's about as good and comprehensive way that we can address that. I think that does tie us in on the very level you are talking about. I'm talking about economic development. I think we have that pretty well covered as far as that goes, as best we can.

[Time: 01:21:52]

Councilwoman Littlefield: I think Councilman Phillips was correct in some respects. One of the things when we moved back here and what we were looking at we had little kids, we wanted good schools to send them to. So we came back to the Scottsdale schools. I'm not sure I would make that same choice now. But it wouldn't maybe hurt us if there would be a way that we could put not someone, just a liaison to keep in touch, to keep up with what's going on, what the decisions are being made in the schools and so we know what's happening. I know there's a lot of activity a lot of upset right now in the Scottsdale schools especially in south Scottsdale, and it wouldn't hurt us at all to be in the know of what's happening and where they are going with things.

Mayor Lane: Well, there's something we can talk about offline because it's not really relevant to this specific conversation. But there are some things that we have done in the past with one specific school district which has caused a little bit of concern because it was exclusively with one school district. I'm talking about this council and a subcommittee. And so we may reinvestigate in that and that may be something to get us in the know.

Councilwoman Littlefield: Yes, just to have the information and the knowledge.

Mayor Lane: We do have some substantial I.G.A.s with one school district too, which also calls to mind what the others would want from us. But in any case, be that as it may, I think that pretty well completes that aspect of it, unless I have got that wrong. Okay. So Brent, thank you, on that one

and thanks, everybody for all the input. That was a great discussion, I think.

**ITEM 2 – RULES OF COUNCIL PROCEDURE**

[Time: 01:23:35]

Mayor Lane: Alright, our next item is rules of council procedure. And we have Mr. Washburn here. Do you want to take the hot seat Mr. Washburn?

City Attorney Bruce Washburn: Mayor, members of the Council, this is our opportunity biannually to bring forward to Council proposed changes to the council's rules of procedure. And we have distributed to Council previously and made part of the packet the agenda that's available to the public, the number of proposed rule changes we, and when I say we, I'm referring to Clerk Jagger and myself. We consider all the changes to be basically housekeeping changes, grammatically corrections, when we write the word "two," we don't also write (2), just take that out.

The one is the substantive change is Rule 5.11, which I'm using 20<sup>th</sup> century technology to put up on the Elmo. And this comes from the discussion that we had when I did the ethics update where I said that I talked about issues that arise from texting from the dais and Peoria, the city of Peoria has adopted a rule for their city council. And this is modeled on the Peoria rule that it essentially provides that during executive sessions, nobody in the executive session will use a device during the executive session that is capable of sending or receiving electronic data. And that during regular open council meetings, councilmembers on the dais will not use electronic devices to send or receive electronic data although they would still be able to use the devices to access materials and things like that.

So we brought the rules forward. And the draft that we have given you we will bring back at a later time final approval by the Council along with any changes to that draft that we get from this session today. So that's my presentation and then I welcome any comments.

[Time: 01:26:14]

Mayor Lane: Okay. I'm presuming that everything that we have redlined here is either an add or a change.

City Attorney Bruce Washburn: Yes.

Mayor Lane: Are the housekeeping items with the exception of 5.11?

City Attorney Bruce Washburn: In my opinion.

Mayor Lane: Which is an add. And we all had an opportunity to review this and to see this. So just on a matter of just a call on this, unless there's some conversation on this, I would like to at least survey the council as to whether they have a problem with any of these housekeeping items or the

item at hand.

[Time: 01:26:44]

Councilwoman Littlefield: I just have one question.

Mayor Lane: Maybe that's why it was a small movement of your finger that time.

Councilwoman Littlefield: That's because it's a little one. 5.6 and I think there were two places on there that say 15 minutes for a maximum of five speakers. Well sometimes five speakers can run over 15 minutes if they have cards. So could that be reworded to or a maximum of five speakers? Something like that? Because you don't want to cut somebody off who is the fifth speaker just because somebody else had two cards.

City Attorney Bruce Washburn: I understand your point. I certainly think that would be consistent with the council practice. Every now and then people would have multiple cards are granted extra time and, in fact, that's already provided for in the rules. And you are right, we wouldn't want to have somebody who didn't have the benefit of those cards still be cut off because we reached 15 minutes. Since that is consistent with the council practice, I don't know exactly what the wording would be but we could word it in such a way to make it clear that it could be possible, it might possibly be more than 15 minutes under certain circumstances.

City Clerk Carolyn Jagger: Your Honor?

Mayor Lane: Yes.

City Clerk Carolyn Jagger: If I could just clarify, donated time is not permitted for work study sessions.

Mayor Lane: Yes.

City Clerk Carolyn Jagger: So it works out five regardless. The only way that we would have added time is if they don't stop when the clock says it is three minutes.

Mayor Lane: Yeah. And so I would defer to that situation. I would rather not get into a situation where we end up, number one, we don't allow for the combining of cards and thus time to rule somebody out. So it would be five people in any case.

City Attorney Bruce Washburn: Okay. All right.

Councilwoman Littlefield: Okay.

City Attorney Bruce Washburn: Good catch, Clerk Jagger. Thanks.

[Time: 01:28:34]

Mayor Lane: And the other one you mentioned is 5.11. I don't really see any difficulty with this. This is not a final decision on this. The language will be developed specifically and we'll actually be passing on it or is this --

City Attorney Bruce Washburn: Well, unless I get different direction from you tonight, this is the language.

Mayor Lane: This is the language that is in there.

City Attorney Bruce Washburn: This is the language that we will be bringing back.

[Time: 01:29:02]

Mayor Lane: Councilwoman Klapp.

Councilwoman Klapp: I would like to emphasize that I think it's a great rule. It means that we have open meetings that we don't communicate with others through electronic means during the meeting. I think it's a rule that we should have in both executive session and in the council meeting. It's a good rule.

[Time: 01:29:22]

Mayor Lane: And I think and I agree. I absolutely agree because this is in part from a direction I received from a state A.G.'s office as well, as far as the use of this in some of the committees and commissions that I'm on for the state. But one thing that I was concerned about and making sure that we had the distinction that the language is specific. We obviously do use electronic devices that are capable of communicating outside. So this is a device that is certainly acceptable on the dais but now we are of our own discipline, we're not to be using it beyond what the council report information that was submitted to the public. As long as that is clear, and, again, I just scanned this real quickly.

City Attorney Bruce Washburn: The intent of the rule is that during the open meetings the devices would not be used for sending and receiving electronic communications but would be used for accessing the data, the kind of thing that we, in fact, got the iPads for so everyone wouldn't be carrying around the big books and the agenda information. Obviously the intent would be that could still be accessed using whatever device you are using.

Mayor Lane: And the electronic devices would never be used to submit to us any kind of executive session material.

City Attorney Bruce Washburn: Right.

Mayor Lane: It would be hard copy to be collected after session.

City Attorney Bruce Washburn: Which is why you don't need them in the executive session because we don't do that.

Mayor Lane: Very good. Unless there's any, yes Councilman Phillips?

[Time: 01:31:02]

Councilman Phillips: Well, of course, I don't agree with this, because I think you are limiting our information. And just as one example, one time I left some paperwork at home and it pertained to one of the meetings and an item I wanted to discuss. So I emailed my wife and I said, can you send that to me? And I read it off my phone. I don't see anything wrong with that and I think you are curtailing information when you do this kind of thing. You are basically saying something that might be pertinent that somebody wanted to tell you, they can't do it. I just don't agree with this I feel it's restricting our rights.

Mayor Lane: Well, one of the things, if I might Mr. Washburn, I would just say that the problem is that in any meeting that we have an open forum, we are incumbent upon absolutely having the same information to everyone on the dais. Everyone has to have the same information. That's what our council report is about. That's why emails that are sent to one person need to be sent to all people. Now correspondence you have with somebody, if, in fact, there's something coming to you in the course of a meeting, an open meeting, that's you know, otherwise it goes into your database in your head. But if it comes in a meeting, we all have to have the same access to it and the public has to have the same access to it. Am I correct in that statement?

City Attorney Bruce Washburn: Well, that's certainly the intent of the open meeting laws that during the open meetings when the discussion is taking place that the information that's being used would be known to all.

Mayor Lane: Yeah. Well, intent would mean that's what it should be. Maybe we are parsing words there not the proper legal language maybe. I would say intent would say, and we could potentially be in violation if, in fact, we were receiving information that was not available to the rest of the council for discussion and our deliberations for public for them to be aware of it.

Councilman Phillips: Mayor.

Mayor Lane: I'm sorry. I was asking a question.

City Attorney Bruce Washburn: I can conceive of circumstances where there could be an open meeting law violation. The open meeting law does not require that every councilmember know every fact that every other councilmember knows. I think you referred to people bring in what they have, what knowledge they have. It's clearly the intent of the open meeting laws and especially under the council rules matters are agendaized and the information is put out in advance of each meeting that whatever the basis is for the decisions that are being made will be known to all.



[Time: 01:33:44]

Mayor Lane: I'm sorry councilmember.

Councilman Phillips: And to that point, you know we have a council meeting some councilmembers know more about a subject than others because they had privy conversations earlier. I don't see any reason why if I can find more information and I get that information I can bring it forward to the council because it's the same thing. You could basically say, well, you are all hiding information from me because you are not telling me everything you know before the council meeting and nobody does that. Just because we are using a modern device to do it, I don't see the point.

Mayor Lane: When it comes to substantive factual information that we need to have for our deliberations and discussions, we are supposed to all have the same discussions and information from staff, from legal, from accounting or finance, all of those things are meant to come to us. Now, opinions of others that's something else, again, I suppose. Most of that comes to us collectively through the email process, but undoubtedly, individually we are talking to people where we may have different input. But presumably, the vast majority of the information, the information that goes to the issues that we're to be voting on and we are going to be discussing and deliberating on should be here with us. I would just leave it at that from my standpoint. I am fine with what we've got here and I understand the objection but I don't know how it somehow inhibits your ability to receive information.

Councilman Phillips: I respectfully disagree, but thank you.

Mayor Lane: Unless we have anything else to discuss on that, are there any other pertinent issues on this? Yes? Councilman Smith?

[Time: 01:35:31]

Councilman Smith: This is going to seem trivial beyond comprehension, but if we are using the phrase "sending/receiving," then it should be "to/from" because I think the intent is to prohibit both messages to outside parties and from outside parties. As I told you, it's pretty trivial change.

City Attorney Bruce Washburn: I can comprehend that change. I can do that and I do not believe it will change the substance of the rule. I'm happy to make that addition.

Mayor Lane: Okay. Unless, is there anything else? I'm sorry.

City Attorney Bruce Washburn: So do I understand that the majority then does want Rule 5.11?

Mayor Lane: Yes.

City Attorney Bruce Washburn: All right.

**ITEM 3 – TAX EXEMPTION ON RETAIL SALES OF FOOD FOR HOME CONSUMPTION**

[Time: 01:36:23]

Mayor Lane: Okay. That completes that issue for us and we'll move on to item 3, which is the tax exemption on retail sales of food for home consumption. And we have Mr. Nichols our city treasurer taking the seat.

City Treasurer Jeff Nichols: Mr. Mayor, members of Council, following up on a discussion that began on January 14<sup>th</sup>, 2015 when we were defining capital and operating budget parameters proposed for fiscal year '15/16, one of the issues that came up was the elimination or phasing out of food, the sales tax on food for home consumption. And so that's why we are back before you tonight to provide you with some information regarding to that and to get council's direction.

So food for home consumption as you can see, represents those packaged items that you would think you would buy in a grocery store, bread, milk, soda, crackers, lunch meat. It doesn't include, I mean, there are things that are sold in grocery stores to include alcoholic beverages and tobacco, but, of course there's other products. There's cosmetic products, there's cleaning products, that sort of thing. I don't believe it would eliminate the sales tax on those items.

The model city tax code was established. In the past many cities had various tax codes within their municipalities that were differing and it made it hard for businesses, especially businesses that had businesses in several different taxing jurisdictions. So we came up with the model city tax code and it allows cities to have a separate sales tax category for retail sales for food for home consumption. They do not have to be the same as the sales tax rates on other items within the city.

As far as the other governmental entities that we're looking at, the state of Arizona does not tax food for home consumption. Maricopa County does not tax food for home consumption, but of the valley cities that we could identify, 20 of 22 or 91% did tax food for home consumption with the exception being the city of Mesa and the city of Surprise. There's also an indication in there that the city of Phoenix is considering, they are phasing out their sales tax on food for home consumption. And if they take the action in March of 2015, the 1% sales tax on food for home consumption will expire.

As far as the tax rates, the average tax rates of valley municipalities is approximately 2.3%. Our tax rate of 1.65% hits the following funds, the general fund, the McDowell Sonoran Preserve, that's actually two tranches of taxes, .15 and .2, but equal to .35%, and transportation .2% for transportation and .1% for public safety for the total of 1.65.

Resident information. We took some information from the feds and basically adjusted to account for the income within the city of Scottsdale, the Department of Labor. We adjusted their medium family income to Scottsdale's medium family income of \$72,102. We adjusted the annual spend based on that and so the estimated annual city tax for food for home consumption, we estimate for a family of three, and, again, you know, if you have more members in your family, would you save more. If you

have less, you may save less; however, the average family size in the city of Scottsdale is between 2 and 3. It's 2 point something and so we rounded up to three.

As far as business information, we have 177 business licenses in the food category. 38 business licenses, convenience store with gas, 26 business licenses in major department stores and almost 5,000 business licenses in the miscellaneous retail category. We bring this to your attention because any one of these types of businesses may sell food for home consumption. And so they may be impacted by any decision that you make with that regard. Implementation issues to consider, our present proposal, we would seek feedback from the business community on the impact to them, depending on your direction. Businesses may need to reprogram their sales system to charge and account for differential rate on food, sales versus all the other. However, as I noted previously they already have their registers programmed that they are not charging a state sales tax for home consumption and a county sales tax on food for home consumption. So those programmatic changes may not be an issue for them. It might just be whoever the vendor is that they either lease their registers from would have to make those changes.

We talk about accurate reporting could be jeopardized. When you start splitting out the way people report the different categories of sales that they have, there's always, any time you get more detail, there's always a chance for the accuracy of the reporting and, of course, we have a fairly strong audit component to our sales tax to encourage proper reporting. So it may affect us if we go back and review their information, we may be going back to vendors at some point and say, you know, you need to make adjustments to the report you filed for this month and give them the reasons why. As a city we would need to format our system and our tax return forms, however, as you are aware, the Arizona Department of Revenue may very well be taking over the sales tax collection for the city of Scottsdale beginning on January 1<sup>st</sup>, 2016.

We had discussions of whether if given the direction of the Council, whether there would be an impact to ADOR, we feel that if it was phased out there may be an impact and judging what ADOR has brought forward with regard to the changes of them starting collection in January of 2016. We feel any changes they have to make, they may look to us to pay for those changes, much like in the governor's budget, they are requesting about \$2.9 million from the cities for changes so that we can get the data that we want. We just feel that that's a possibility.

Our ability to purchase Preserve land and our ability to pay debt service on existing preserve debt could be impacted. As I noted the .35% of the sales tax does go towards Preserve. So depending on the direction given by council, those revenues may be less and we would have to adjust accordingly. And the MPC debt ratios that we have a three times our annual debt service, those are actually written into the issuances, the offering statements for the issuances that we have. So we would still have to maintain those reserves if, in fact, our excise taxes would go down we would do those calculations. But if we fell below that level, there may be an impact below three times annual debt service.

Here's a chart on the revenue impact of a three-year phase out, which was the direction we thought we heard from council in January. As you can see, starting with the general fund, starts at about \$2.4 million, working its way up in '17/18 to about \$7.5 million and the other categories that would be

impacted as well. For the Preserve, those two line items, one would go out, I believe, until the mid-2020, 2024, 2025, and the second one in 2034. And so those would be impacted until that point of time. You see after three years of the phase out the total impact to the city revenues would be approximately \$12.4 million.

Here's a little history by category, in millions. We put this up there so that you would understand the different areas that we collect the sales tax on and the impact that the phasing out the food tax would have. As you can see, some of those categories like automotive, you see there between fiscal year '7/8 and '8/9 where it went from \$23.5 million to \$15.8 million. When the decrease in the economy, when the great recession hit, it affected people's buying behaviors for automobiles. If you looked in the later years after that, you would probably also see, like, parts for automobiles we probably started selling more parts for automobiles because people were keeping their cars longer and just repairing them.

The food category is a fairly stable revenue source when you look at all the revenue sources up there. And percent by 10-year history by category, by percent, it kind of shows you the stability of the sales tax on food, and it intuitively makes sense that people are going to buy food. I mean, when their monies are restricted, they are going to look to those other categories where they are not going to spend, but more than likely they are going to continue to buy food and therefore, that's why this sales tax on food is regressive by nature. It is something that everyone has to have. With that, I look forward to the Council's discussion.

[Time: 01:46:47]

Mayor Lane: Well, thank you, Mr. Nichols. I appreciate it and I'm sure this will be a fair amount of conversation on this, but I will start out by saying, I certainly do favor the reduction of this tax and frankly, I have been a proponent of it for some time. When we were having significant surpluses that were feeding into our balance sheet at the end of 2006/2007 range, where this contributed some \$11 million to the C.I.P. by virtue of the surpluses that were developed there and so that's where it went. At that point in time, there was at least some very serious conversation as to why we wouldn't consider that cut at that point in time. We no longer have that condition and we haven't had it for some time.

We are on a recovery path, certainly, which means we are putting it in a better, better position to consider this maybe in the future. But I would just say, from my standpoint, right now we have a transition. As you mentioned, the T.P.T. reform ended up coming through with a very big change to us and a very costly change as well, with the reduction of about, estimated at one time \$2.4 million, coming out of our budget by virtue of just that change. And frankly, there are a number of things that are still unquantified with that change, and that is the audit process and what impact that may have on our collections, the price we are paying for collections as it's being suggested to us right now, with the governor's budget. Between that and the cost per return of 76 cents per, I think, a counter return, you are talking about a substantial additional amount of money, not a tax cut, not a new tax, but nevertheless, a cost that we need to get to the D.O.R. for them to make them be able to complete their mission. Hopefully in some reasonable form that won't denigrate the entire collection process

through that system. We all are holding our breath about that and, of course, there's been a lot of discussion.

Of course, I know Mr. Nichols you have been intermittently involved with it as I have been too. It's been a struggle and it's unquantified yet today, except some of the proposals that the additional costs which could be as much as \$1 million, additional \$1 million cost to us. That along with some things that are suggested right now, which I don't believe, I'm hoping we won't be hit with and that's a \$5.1 million that's being suggested by Mr. Mitchell over in Litchfield and that's now working its way through the house and that's the rental tax. That may cost us somewhere in the area of \$5.1 million or more. So that's another issue that we are going to be faced with and at the very same time, we know that there will be other state budget deficits reconciling items that we will have to deal with. And they are not going to make it any easier. But if we are in a position to try to help the state in trying to remedy that deficit, a significant deficit as we all do know, then we need to have room within our current budget.

So though I think I have been a strong advocate of this and I do believe the nature of it is to help people, younger families and the elderly on fixed incomes, I do believe it has strong support in that area and frankly, it would be a good thing. I think it would be a damaging thing for not just that group, but for the entire city, if we were to denigrate our ability to provide services further than what we anticipate or at least is on the table right now. So I'm going to say that just coming out of the box, as much as I'm a believer in this, I don't believe in a transition year when we haven't even proven that the state can pick up all of these returns and give us the information and in an economic and timely manner. There's actually concerns out there that D.O.R. will take up to 60 to 90 days to start getting our money to us. So there's a permanent reduction in the amount of money you are going to receive and coming out of the budget when I say, that I mean on an ongoing basis. That money is removed and I don't know what that quantification is but it's not a small figure either. I know that's not been determined yet, but it's certainly a prospect and it's one that we have to be able to manage. So right now, I really hate to put it in this tone, but I think it would be irresponsible for us to try to launch into this right now. That's my thoughts on it. Councilman Smith.

[Time: 01:51:30]

Councilman Smith: Thank you, Mr. Mayor. Let me ask you, Mr. Nichols, do you have, you showed ten years of history. Do you happen to have a slide that shows the five years of future expectations on sales tax collections?

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Smith, yes I do and I will see if I get the right way on the Elmo, Brian, if you would.

Councilman Smith: I would observe from this slide that your last year of sales tax collections from the history you gave us was 155.1 in the year that ended the fiscal year '14/15 and the 155.1 over the five-year period of time, lower right-hand corner is going to \$185 million. I think from my point of view, it is both timely if not, in fact, overdue to make some kind of change like this, but I don't think anyone sitting here among the seven of us would be suggesting that we just take the sales tax and on

food and immediately eliminate it. But to do it over a future period of time, what you are impairing is not the existing revenue realization. You are only sharing some of the future growth with some of our neediest citizens and getting rid of one of the most regressive taxes.

So to look at the, and I would also observe from your slide here that I think your closing comment was this was one of the most stable revenue sources that we have, and in fact from your history slide, the past four years were 10.2, 10.5, 10.6, 10.9, 10 point anything, and now all of a sudden we are seeing them go to 11, 12 and almost \$13 million. It seems like you have forecast them to increase in the future at a constant percentage of the total tax collections and your previous slide showed that's absolutely not what happens when total collections go down. This is a stable revenue source when they go up, it's a stable revenue source.

I guess my comments from this five-year forecast are twofold. Number one, I'm not convinced they will ever reach 12.2 or 12.7, whatever that last number is there. But that's a relatively minor observation. The more important observation is that I, for one, am not convinced that we need to not only hold on to all of the growth and the sales tax that we have enjoyed over the past five years, your previous slide said that was \$25 million worth of growth in sales tax. And now we have another 29 million and we are going to need all of that as well.

And what I'm hearing from you, I have to admit, I'm not persuaded by it. What I'm hearing is that it's going to be complicated. We are going to have to reprogram. We are going to have to check with the businesses to see if they can handle it, although, in fact, the businesses the biggest abnormality that they have, in fact, is taxing for Scottsdale not to eliminate the tax. As I think everybody in the audience knows, the state does not tax food. The county does not tax food. So we are imposing an abnormality on them by saying would you please tax food for our benefit. I think they would be delighted if they said you don't have to do that abnormality anymore.

To be persuaded that we shouldn't do this prospectively in the future because it is going to be complicated, it's going to be burdensome, it's going to be different than what we have done in the past, and even to say that it is a problem because we're liable to have additional costs with the state administering the program, perhaps as much as \$1 million. I'm sorry I don't see the connection between saving the citizens \$10 million because we are concerned that it might cost us \$1 million to do it and we have no basis for saying that.

I am concerned even as we characterize the impact of this as you have done, \$89, I think you said for an average family of three. I'm pretty well convinced that for an average family of three, it's a bit more than that, but I'm not going to nickel dime the number. But whatever it is, I would say for the benefit of anybody listening, that an average on this statistic is most misleading. An average is indeed arithmetic average for a lot of folks who can well afford this tax and an awful lot of folks that cannot. And frankly, I'm not particularly trying to find relief for the people who can afford the tax comfortably and have no problem. I'm trying to eliminate a burden on our neediest citizens on the citizens that have the greatest difficulty paying this or any other tax. So for them, as an absolute dollar amount, it's probably more but certainly as a percent of disposable income, it is a huge number. And I think it's time for us to get rid of what I characterize, and what I think you characterized as one of

the most regressive taxes that any city can have. So I would obviously be giving you direction to phase it out from future growth and revenues.

Mayor Lane: Thank you, Councilman. Yes, Vice Mayor?

[Time: 01:58:24]

Vice Mayor Milhaven: Mayor, I think you did an excellent job outlining some of the challenges we face in the transition year and I completely agree that this is not the right time for us. If we find ourselves in the next few years running these surpluses, recognizing the differences in how the state's impacting our revenues then I would certainly be willing to consider it at that time.

What I might suggest to Councilman Smith, our former treasurer was rather than simply looking at cutting revenues, if you have suggestions for where, since you would understand city operations better than anyone else, if you have suggestions nor where we would find \$12 million worth of savings, I would certainly be willing to entertain that. Thank you.

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

[Time: 01:59:00]

Councilwoman Klapp: Well, I too like you, would prefer to phase out the food tax, but I recognize the problem that we have this year. So I suppose my general comment would be that I wouldn't favor doing it in this next budget, but I certainly would like to consider it in the budget after that. Because at that point, there will be more certainty as to what's happening at the state, if they have taken over the collection of sales taxes we will have a better idea of how that will work. But I do believe and I agree with some of the comments that were made by Councilman Smith that this is a tax that is relatively unfair to the poor people in this community.

There is you know, as he said, a lot of people that don't fall in the average. I'm aware of an area of this city that's not in south Scottsdale, incidentally. A rather large area of the city where the average income is \$25,000 and it falls in the center of city. If you consider you have a \$25,000 income, you are probably spending a quarter of your income on food, approximately, maybe 20%. That's very difficult for those people that are paying food tax.

This community in the long run ought to look at phasing it out because they don't think that this community should be charging a food tax any more than Phoenix is doing it now in phasing it out or a couple of other communities. Mesa phased it out or I don't know if they ever had it. But Mesa doesn't have it and Surprise doesn't have it. My preference would be that Scottsdale does not have a food tax and that we look at the fiscal year after this coming one as a possibility for making a change. And I also would say that my preference would probably be to phase out the general fund part of the sales tax and not the .65% of it that was voter approved for the Preserve and for public safety and other things. So that would be the area I would be most concerned about is the money that's going into the general fund and phasing that out over a course of, if we started in a year or two, phasing out

maybe a little faster. But only the 1%. That's my general overall feelings about it at that this point.

Mayor Lane: Thank you, Councilwoman. Councilwoman Korte.

[Time: 02:01:39]

Councilmember Korte: Thank you, Mayor. I agree with Councilmember Smith that food tax is a regressive tax. However, if I was a renter, I would think that the rental tax was a regressive tax. If I was a car dealer, I would think the automotive tax was a regressive tax.

Now is not the time, I believe. I completely agree with the Mayor. There are many variables facing the city regarding our general fund revenue sources, whether it's the T.P.T. or the rental tax or the state deficit as a whole is, I think makes us vulnerable. I also agree with Councilwoman Klapp in that if we do look at this in the future, which I'm open to, that the .35 for the Preserve, the .20 for transportation and the .10 for public safety, which were voter approved tax increases would not be affected by this change in food tax.

Mayor Lane: Thank you, Councilmember. Councilwoman Littlefield.

[Time: 02:03:03]

Councilwoman Littlefield: Basically, I agree with what all of you are saying on this. It is a regressive tax. It does hit our poorest citizens the hardest. I don't think this is the proper time. There are too many unknowns right now starting from the state down on what they are going to be doing, how hard they are going to be hitting us. I also like the idea that Councilwoman Klapp said about if we look at this in the future, look at the general fund percentages as a start of where to go, because the others are voter approved taxes that we have to pay for specific things.

I would make one other suggestion, however, if we are serious about possibly looking at this next year and starting to diminish this tax, which I would like to do. Then we ought to start looking at the general fund budget and seeing where we can cut so that we can make up this money and continue our level of services to our citizens. And that might be something that over the course of the rest of this year and moving on into next fiscal year, we look at and see where we can afford to do this.  
Thank you.

[Time: 02:04:16]

Mayor Lane: Thank you, Councilwoman. I would just add a little bit to what I said at the outset and that it really is a matter of unknowns this year and significant unknowns, particularly with the transition to all of our collections and all of our returns, ultimately in 2016 to the state. This year we are following a path, even though it's a hybrid of what was passed and what they are able to do. It still has left a lot of question marks and at one point in time, the real cost of even this implementation and updating their software was huge. We're talking about in the scores of millions of dollars. So I'm not sure exactly if this is going to pay the way, as far as our transition costs are concerned. It may



be worse. It could be better. I'm not really seeing the better side of this.

But my greatest concern is, yes, I'm an advocate of it and frankly, all funds are voter approved. Some are just dedicated taxes to the police or fire, or rather I should say to public safety and the Preserve and to transportation, but they all go to the general fund. So I'm not drawing the distinction there necessarily. What distinction I am drawing is I think it's imperative that we not do this now and I'm not even sure I am ready to look at it. It depends upon how this all comes together with both the state budget for this year and next year but also the transition now has been put off until next year and who knows what will happen then.

I am concerned enough and I know there are many people that are close to the subject that are equally concerned and that is that this could create a much bigger problem for all of the non-program cities who are now going to become part of overall program within the state that really we can't quantify. We can't totally quantify. That's my reservation and it's a strong one but I certainly want to look at this in the future, and I would like to get on the path, but I don't want to be premature about it. So, yes Councilman Smith.

[Time: 02:06:26]

Councilman Smith: Mr. Mayor, I think I hear the consensus opinion around the table that it is a very regressive tax. It is hitting our poorest and neediest citizens most desperately, but it's just not the right time. I'm not sure there will ever be a right time. We have just enjoyed as we saw from a previous graph, \$25 million of additional revenues in sales tax, not to mention revenue increases in other taxes since the recession and we have spent it all. And never gave thought to giving those citizens a portion of the savings and now we are faced with, as we see on the screen, \$29 million of additional tax projected to be collected in the future. And we need all of that, we say. I'm not convinced that I'm hearing that there is ever a consensus of time that will be appropriate to get rid of the most regressive tax that we have here in the city.

I was challenged by Vice Mayor Milhaven, where would I find \$12 million in savings. I used to be the city treasurer, it is absolutely true. I was not however and I am sure she recalls, in charge of the budget at the time. That is the city manager's responsibility and the council. So maybe I should ask her where she would find \$12 million of savings. The truth is I'm not even proposing that we have to cut the budget. I'm only proposing that we stop consuming every dollar that comes in from the sales tax and for the first time in the history of the city, give some back to our neediest citizens.

There are, indeed unknowns. There will always be unknowns. And the unknowns that I'm hearing is we are in a transition period, it's an audit process, you know. I'm not sure those are going to be very persuasive to the families in our city that are paying the cost here. Because we're having them pay the cost of whatever we think these uncertainties are.

By the way, I do agree with you Mayor on a technical issue. I'm not sure you can separate general fund taxes from others. They are all voter approved taxes and I have no idea how you would say I'm going to collect tax for the general fund on food but not for Preserve on food or vice versa. I think

that's an impossible mathematical formula to try to figure out. Besides which, I guess I would add, it's my understanding that the Preserve folks have been told that the generation of monies over the life of the bond issues outstanding, not only will pay for all the land acquisition that they currently have on the table, but all of the trails and trail heads and everything else they need and now they are even looking at the possibility of creating an endowment. And to me, if they created an endowment which would be a noble way to take care of future expenses I don't want to create and endowment for the Preserve on the backs of the people who are paying food tax in the city. Thank you, Mr. Mayor.

[Time: 02:10:03]

Mayor Lane: Thank you, Councilman. You know, I would tell you, that the real regressive portion of this really goes to the idea that it's for food consumed at home and therefore it does hit that segment of our population harder. Other than that, it's a standard percentage on everybody and it's across the board depending on the level that they spend money, period, in any sales tax category.

But I will say that I share a similar concern that Councilman Smith mentioned and that is whether there will ever be a time when we struggle with this, when there was significant surpluses as it was, and they were being routed into C.I.P. which I know is another important component for us, particularly with the lack of the bond issuance. I know that's something that's near and dear to you as well, as for the rest of us as far as taking care of those emergency items. But even at that point in time, there was substantial, we were not able to do it.

I'm very strongly invested in the idea of getting this done. I just don't want to put the city at greater jeopardy than I see it being already being placed with some of the things that will come down on us otherwise. And I frankly see at some point in time, and I don't mean by the people at this table, a demand for a tax increase in order to cover some of the deficits at the state level. Again, I'm not an advocate. I'm not endorsing it. That's the kind of thing that it may go towards. If we manage this well and conserve our resources as they are, so that we don't take a body blow from some issue like 2254 on the rental sales tax, we can accommodate and work with the state and still stay above board, above water.

So I'm certainly very sympathetic and certainly subscribe to the same notion of concerns and also of actions that we may take in the future. But I think for right now, I think we need to keep this information and we need to be working towards this thinking. There's another thing that's coming up and I don't remember exactly what years they expire, but some of the sales taxes that are set to expire, there might be an opportune time to make a transition too. Because those are dedicated to something else, but, I mean, no, actually forget that math. That doesn't work. Leave that alone.

But in any case, I'm presuming that the consensus of thought, Mr. Nichols, you have recorded and you have some idea of what we are, I hope you have some idea of where we are coming from on this right now.

City Treasurer Jeff Nichols: I do, Mr. Mayor.

Mayor Lane: Okay. Any further comment then from anyone else? All right then I think that settles the matters.

**MAYOR AND COUNCIL ITEMS**

[Time: 02:13:15]

Mayor Lane: We are here for the work study session to deal with, and we don't have any other mayor and council items. And no other cards or others of any sort.

**ADJOURNMENT**

Councilmember: Move to adjourn.

Councilmember: Second.

Mayor Lane: All of those in favor of adjournment please indicate by an aye. Thank you very much. Thank you very much for your input all the way around.