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CALL TO ORDER

[Time: 00:00:04]

Mayor Lane: Good afternoon, everyone. Welcome to the Kiva and to our 5:00 meeting, council meeting, regular council meeting. It's March 1, 2016, and it's 5:10. We will start with a roll call, please.

ROLL CALL

[Time: 00:00:18]

City Clerk City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

City Clerk Carolyn Jagger: Vice Mayor David Smith.

Vice Mayor Smith: Present.

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: Linda Milhaven.

Councilwoman Milhaven: Here.

City Clerk Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

City Clerk Carolyn Jagger: Acting City Manager Brian Biesemeyer.

Acting City Manager Brian Biesemeyer: Here.

City Clerk Carolyn Jagger: City Treasurer Jeff Nichols.

City Treasurer Jeff Nichols: Here.

City Clerk Carolyn Jagger: And the Clerk is present.

Mayor Lane: We have cards. There are white cards here by the -- demonstrated right here by the city clerk, Ms. Jagger and there are cards if you would like to give us some written comments on any of the agenda items that are available at the same location. We will read those cards, and, of course, otherwise, there are cards to speak on the subject, he will be called at that time.

We have Scottsdale police officer, Jason Glenn and Tom Cleary here to assist you. They are right here in front of me. Also, if there's any medical emergencies, please see the Scottsdale fire representative, who is right over here about 1:00 from me in the back there. If you have any need for his assistance. The area behind the council dais are reserved for the staff and for council but we do have facilities over here to my left under that exit sign for your convenience.

PLEDGE OF ALLEGIANCE

[Time: 00:01:42]

Mayor Lane: And I would ask that the Vice Mayor lead us in the pledge. Stand if you are able.

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

INVOCATION

[Time: 00:02:08]

Mayor Lane: Thank you. Invocation this evening is Pastor Bruce Johnson, Scottsdale Presbyterian Church. Pastor, please.

Pastor Bruce Johnson: Thank you, Mr. Mayor. Let us pray. Great God we come before you seeking your wisdom for our city council. We pray for them to be wise and good and have the best interest of all of our citizens in their minds as they make their deliberations. We also pause and lift up Fritz Behring and his family and we pray for his healing and wholeness and for the peace of mind and for the days ahead be with them, and be a comfort for them. Lord, we thank you for the city and its citizens. We thank you for the opportunity this month to host people from around the country, around the continent and we pray that be good hosts. Thank you. Amen.

Mayor Lane: Amen. Thank you, Pastor.

PUBLIC COMMENT

[Time: 00:03:26]

Mayor Lane: We have come to the public comment period, where it's reserved for citizen comments regarding non-agendized items with no official action taken on these items. Speakers are limited to three minutes with a maximum of five speakers and there is a time at the end of the meeting if there's any additional requests for public comment. Right now we only have one request for public comment and it is Andrew Marwick.

Andrew Marwick: Hello, my name is Andrew Marwick. I'm a Phoenix resident. Phoenix last year passed Proposition 104, which includes a lot of money over the next 30 years for light rail. The -- one of the -- part of that money is going to pay new station at 50th and Washington, which will basically just slow down the system. It's for one, for the ability of 360 specifically, and that's going to cost $25 million roughly and slow down all the traffic to points east, which I think is an ill-conceived idea. Most of the lines that Phoenix has proposed going down south Central, going out Interstate 10, going out of Camelback, or A.S.U. West, further extensions east in Mesa or down to Chandler, there just isn't the density or the destinations in those areas, and I just don't see where we're beyond the system that the light rail can grow. There's nothing at 19th Avenue and Dunlap. There's nothing really at Gilbert and Main in Mesa. And so the system is left with the core, through the central corridor, the downtown airport, and Tempe and beyond that, it's just a feeder into the core of the system. Once built -- and this is one of the problems for the west valley potential lines. Once you are at 17 and Camelback, you are stuck with that decision. You are looking at $500 million investment getting into Glendale is more than that.

So that leaves one basic clear cut potential destination for light rail and that's right here in downtown Scottsdale. Phoenix, again, some of the money could be used to come through, probably through Papago Park would be the least expensive way to come in to 68th and McDowell and in through Scottsdale. Some of the other things -- possibilities that would make it a little more palatable to downtown Scottsdale would be to enter downtown Scottsdale at some point to go underground as a subway. There is a precedent for this type of system and the light rail. The DART system in Dallas, the city places the station about 100 feet underground and just north of downtown Dallas. In the uptown area it was a lot like south Scottsdale, 15, 20 years ago and with the light rail, with the growth in that area, the growth has been tremendous in that area. It's just unbelievable. The growth in the north end of downtown Dallas and up town and that could potentially happen at south Scottsdale especially if light rail is built. So those are some things that you might want to think about as you formulate the plan for transportation in Scottsdale.

Mayor Lane: Thank you, Mr. Marwick. That's the extent of public comment at this time. That completes that.

ADDED ITEMS

[Time: 00:07:13]

Mayor Lane: We have a couple of added items on A1 contract numbers 2016-022-COS and 2016-023-COS for item number 6 will be added to the agenda less than 10 days prior to the meeting and will require a separate vote to remain on the agenda. So I would ask for a vote to accept or at least a motion to accept the agenda as presented or to continue the item to March 15th council meeting. Do I have a motion?

Councilmember Korte: I move to accept the agenda as presented.

Councilwoman Klapp: Second.

Mayor Lane: Very good. Seconded. All right. No further comments on that. Those in support, aye and those opposed with a nay. Unanimous acceptance.

MINUTES

[Time: 00:08:15]

Mayor Lane: The next item is we have a need for approval of minutes and the special meeting minutes of February 9th, 2016, regular meeting minutes of February 9th, 2016, and executive session minutes of February 9th, 2016. Do I have a motion to accept or any questions or items to add or delete?

Councilman Phillips: So moved.

Councilwoman Klapp: Second.

Mayor Lane: Moved and seconded. No further comments on that. So then we are ready to vote, all those in favor please indicate by aye. Those opposed with a nay. Motion passes unanimously, for the approval of minutes. Thank you.

CONSENT AGENDA

Mayor Lane: We will move to the consent items 1 through 4A. And we do have -- this is on the regular. Any comments from the council on any of the items for the consent or request? Seeing none, I would accept a motion for the consent items 1 through 4A.

>> Councilmember Korte: So moved.

>> Mayor Lane: The motion has been made.

Councilwoman Klapp: Second.

Mayor Lane: And seconded. Seeing if further comment on those items we are then ready to vote on the consent items on 1 through 4a, all those in favor please indicate with an aye. Those opposed with a nay. Aye. That's consent items 1 through 4a. If you are here for those items you can stay with us and/or leave quietly.

ITEM 4B – EMPLOYEE MEDICAL PLANS AND PREMIUMS

[Time: 00:09:51]

Mayor Lane: Regular agenda items are up next. So we'll start with 4b and it will be 4b through item 7, and 4b is the employment medical plans and premiums. And the presenter we have Lauran Beebe, our human resources manager.

Human Resources Manager Lauran Beebe: Okay. Good evening, Mayor and members of council. I'm Lauran Beebe, H.R. manager and tonight I will walk you through the medical and dental plan for fiscal year '15/16. Hayes Company, the city's benefits advisor, has identified a number of factors that contributed to this increase, including the ongoing Affordable Care Act fees and regulations, an increase in the number of smaller cost claims, an increase in the usage of high-cost specialty drugs and ordinary medical and pharmacy price increases.

Tonight, I will present two options. One, if we made no changes, except for the increase needed to cover next year's anticipated claims, and two, which includes a network changes in an effort to control costs. If we made no plan design changes such as deductibles, copays, pharmacies or network changes, we would experience about an overall 10 and a half increase or expectant 29.3 million in medical costs. The increase is 2.8 million overall, with 600,000 being borne by the employees and

2.2 million from the city. If the rates increased by 10.5%, employee rates would go up by $5 to $39 per month and employer rates would increase by $40 to $127 per month.

[Time: 00:11:47]

Mayor Lane: Excuse me, Lauran, if I might. Just a question on it, and you mentioned it a slide before, but that was of the -- the slide agenda, the 29 million and 10.5% if no changes were made to the plan. Of that increase -- and I'm presuming if no plan changes were made, $29.3 million in total expected medical costs, is that the increase -- I'm sorry. So the total medical increase equals 2.8 million?

Human Resources Manager Lauran Beebe: Mayor, members of council, that's correct. The total increase would be 2.8 million.

Mayor Lane: Okay. And so that's the total increase, employees' share is $600,000 and, of course, the city has 2.2 million. Of the total of the 2.8 million, how much of that is ascribed to the Affordable Care Act?

Human Resources Manager Lauran Beebe: Mayor and members of council, that's about $250,000.

Mayor Lane: There was the deferral of the Cadillac premium care cost for about two years, I believe?

Human Resources Manager Lauran Beebe: Yes, it's been -- what year did it delay till?

Charlie Broucek: It's been delayed at this point until 2020.

Mayor Lane: Oh, to 2020. Okay. So further then. If that had gone into place, do we have any idea what that might have added?

Human Resources Manager Lauran Beebe: Mayor, members of council, our plans are not currently -- they would not be considered a Cadillac plan.

Mayor Lane: Even if it had not been delayed.

Human Resources Manager Lauran Beebe: Correct.

Mayor Lane: All right. Very good. Thank you. Please continue.

[Time: 00:13:14]

Human Resources Manager Lauran Beebe: Okay. So this option, staff is recommending which will shift the OAP and network plan to a narrower network. The Local Plus of Arizona network. It will continue to be made up of providers who deliver quality care while effectively managing cost, and includes Honor Health, Banner and Cigna medical physicians and hospitals. It would no longer include Mayo clinic, Phoenix children's hospital and other physicians and hospitals. The other two plans currently available to employees would continue to have the same network that employees have access to today, which would include Mayo and Phoenix Children's Hospital.

As you read in my February 17th memo, we did remove any pharmacy plan changes due to it affecting 1200 employees rather than 350 employees we originally thought. Staff does feel comfortable with using the fund balance for one time, for fiscal year '16/17 to cover the anticipated 175,000 to $325,000 in costs.

Staff recommends this network change as it will reduce the overall expected medical cost to 27.2 million. The total expected medical increase will equal about 650,000. This option has been modified, so that the city will take on an additional $150,000 to help offset the increases that the employees would experience. So the city increase would equal 500,000 and the employees' increase would equal 150,000. If approved employer rates will increase by $3 to $24 per month, and employer rates would increase by $8 to $98 per month.

Staff is already in the process of developing a communication plan to better educate employees, on how they will be affected and show them the tools available to them to make an informed decision during open enrollment. Since we are self-insured, the city continues to consider ways to help keep their employees live a healthier lifestyle.

Fiscal year '16/17 rates will continue to provide funding to pay an incentive for employees and spouses to participate in a wellness screening and a complete Cigna risk health assessment, this would be a total estimated cost of $210,000. On-site biometric screening dates have been added to increase participation, along to help employees who work early or late shifts. Those who complete the H.R.A. will receive an incentive payment of $120. And if their spouses also complete the H.R.A., they will receive an incentive payment of $240.

Tobacco use is the leading cause of preventable illness and death in the United States. It costs employers about $5,800 more per year, per tobacco user than nontobacco users. In 2015, H.R. introduced and delivered a tobacco cessation program and gave tools -- employees tools necessary to assist them in quitting tobacco use. There was an announcement that for fiscal year '16/17, staff would be recommending a tobacco surcharge in order to give employees time to enroll and take advantage of the programs that they provided. It approved any employee or family member enrolled in the city's medical plan that continues to use tobacco products, including electric cigarettes will pay an additional $20 per month. This will be based on the honor system. The city will use no addition a resources for testing and employees will simply sign an affidavit.

We haven't experienced any increases on the dental PPO plan for several years. This year we had slightly higher claims and anticipate that a 6% increase is needed. The overall increase is approximately 90,000 with 45,000 borne by the employees and 45,000 by the city.

So tonight's agenda item is to adopt, resolution 10321, which includes increase the city's share of active employee premiums by 1.9% for the OAP in-network plan and 9.05% for the OAP and HSA plans.

To increase employee premiums by 6.4% for all three plans, to change the OAP in-network plan to the local plus network and increase dental plans as shown in Exhibit 6. To implement medical plan design changes as shown in Exhibit d, provide an incentive payment of $120 and $240 for those who participate in Cigna's H.R.A. and increase a $20 surcharge for those who use tobacco products. That's it.

Mayor Lane: I'm sorry, so you are done?

Human Resources Manager Lauran Beebe: That concludes my presentation.

Mayor Lane: Thank you very much. I appreciate that. You may stand by, if you will for some questions but we do have some requests to speak. Let's start with Susan Williams.

[Time: 00:18:29]

Susan Williams: Thank you Mayor, and members of council. I'm Susan Williams and I'm a proud 20-year employee of the city of Scottsdale. My reason for speaking to you tonight is to urge your consideration of option number one that's before you. Because if option number two is selected, we are effectively canceling out the most popular policy for a full 83% of the employees and their families here in the city. That policy, that 83% of city staff are using that will no longer exist. And the options to choose from, I think, are severely limited in the number of doctors and the access to care centers. Or else they have excessive out-of-pocket maximum that will literally implode the family budgets with those with serious medical needs. For me to maintain my standard of care and my family, I will have to enroll in the new open access in network plan. I have to say this cost is beyond the reach of my personal budget, and will most likely result in dipping into precious savings year after year to pay for medical care. The reason for this is due to the excessive $8,000 to $9,000 annual out-of-pocket maximum. The $8,000 to $9,000 maximum will add up fast. If you have a high maintenance or serious illness and once this is satisfied at the end of the year, we will have to start again in successive years to continue to meet that $8,000 to $9,000 annual out-of-pocket maximum. I ask you tonight, is that $8,000 to $9,000, is that really necessary to balance this budget?

Lastly, I want to read to you from what the city of Scottsdale own economic development has published in the 2015 Scottsdale cure corridor update it. Opens up positively and it says the city of Scottsdale is proud to be a home to a vast array of assets and they contribute to the success of healthcare and bioscience in the region, from education to research, to clinical trials and to patient care delivery. It is happening here in Scottsdale. It's something we are very proud of as employees and I know as citizens too. So how does it look if the very people who promote the Scottsdale cure corridor are pricing those services out of reach of the local employee base? They would be the ones to benefit the most. We invite them here to Scottsdale to promote. We celebrate their work. We promote what they do and yet we price it out of the reach of the employees, the very employees who need it the most. Choosing option number one will prevent these circumstances. It will allow us to keep current plans and doctors by charging us a full 10.5% increase in our premium and it will allow you as our city leaders to stand tall behind your cure commitment allowing all employees to keep the standard of medical care in a community that prides itself on helping and healing. Now, that is something to celebrate and promote. I thank you.

[Time: 00:22:09]

Mayor Lane: Thank you, Ms. Williams. Next Linda Annoreno.

Linda Annoreno: Good afternoon. Honorable Mayor and city council, my name is Linda Annoreno and I'm a city employee. I strongly implore the city council to vote yes on option one, which is our current plan with a rate increase and reject option two, which will limit positions and deny access to some facilities. Option two will be detrimental for some employees, inconvenient for others and risky for many. Currently approximately 80% of employees are covered under this comprehensive plan, which is the most expensive this suggests that employees value the benefit package offered here at the city of Scottsdale and are willing to pay a higher premium. Employees have been advised by human resources to review our past medical history, to ensure we pick the best plan, but how does one plan for the unknown? A motorcycle accident, a stroke, a sports injury? We are not only dealing with known medical issues, but unknown medical issues, because they are real. Life happens. Picking the plan which offers access to the broader base of facilities and physicians will be cost prohibitive for many.

I have a 15-year-old son with a chronic rare disease. He was born healthy, so I thought, until he celebrated his first birthday at St. Joseph's hospital. A team of specialized doctors attempted to find out what was wrong with him. Our lives would never be the same. We spent the next eight years searching for that diagnosis. That diagnosis came on New Year's Eve 2009, when he required emergency surgery. Earlier that day, we were at John C. Lincoln Hospital. After a few hours, they did not know how to treat him and told me to go to Phoenix Children's Hospital. There is a difference among medical providers. I have been told that a decision will be made for the greater good of the whole. So I'm not going to talk about Anna Dominick any more. I will talk to you about my son Anthony who is a healthy 12-year-old boy. He came home from the baseball park the other night and a ball had hit him in the mouth. He had a busted lip. Fortunately he didn't require stitches or he wasn't -- he did not sustain a broken nose, but if he had, I would have taken him to the emergency room. I would have been out of pocket under the new plan of approximately $1,500 to $2,000. Under our current plan, I would have paid a copay of $150. This is for one accident. He was simply playing baseball. This can happen to any employee on any given day.

So we are not talking about the most vulnerable employees who will suffer under the new plan, but the whole group will be suggested to limited care and high out-of-pocket expenses. We have all heard the term ignorance is bliss, however, I have learned that we are all one doctor visit's away from a diagnosis. I respectfully ask the city council to reexamine any proposed budgets to ensure that the monies are being allocated to what is truly your most important asset, your employees. I look to all of you to be good stewards, preserve our current health insurance and protect the city of Scottsdale's families. Thank you for your service.

[Time: 00:26:34]

Mayor Lane: Thank you, Ms. Annoreno. Next is Maria Luna.

Maria Luna: Good evening, honorable Mayor, City Council. My name is Maria Luna and I'm a city of Scottsdale employee. In regards to the two health insurance options proposed today, I would ask that you vote yes on option one which allows us to keep our existing health plan with the increased rate for our health premiums. It is important that each city employee trusts that they can maintain through their current and trusted physicians and not be forced into seeking a new one due to insurance restrictions. Although I do not have young children, and I am blessed to be healthy, unforeseen and unexpected events can occur. So in addition to a stressful life event, city of Scottsdale's employees are not in the position to incur such high out-of-pocket medical expenses or be concerned with the elimination of hospitals that we can visit. I would request that you vote yes on option 1. Thank you for your time.

[Time: 00:28:04]

Mayor Lane: Thank you, Ms. Luna. Next is Matt Heeren.

Matt Heeren: Good evening, Mayor Lane, members of the city council. My name is Matt Heeren, I'm the president of the Scottsdale Fraternal Order of Police. I come to you this evening to, one, thank you for your leadership as you continue through in the city, but today as we speak about the benefits, I urge you to examine the plus and minuses of both options. Option one is the one that all employees favor. They continue to keep the same benefits that we all have at this time.

My concern with option two and what I would like to focus on more is looking at some of the statistics that were presented at our employee education that was provided over the last week. One of the items that was brought up by the Cigna representative was that our move from our current OAP in-network plan to the OAP in-network local plus will effectively make 22% of the current medical providers available. So that's a drastic change when you lose 78% of your options. I think that's why we are seeing many people are very upset and very concerned. With that, you look at who is our population. You know, we are city, government employees. We are very risk adverse. You know, hence by 83% of us are on the local -- or on the OAP in network because it does have the deductibles and it does require a huge -- or I shouldn't say deductibles. It has the out-of-pocket expenses but not -- in copays but not the deductibles in large out-of-pocket maximums. When you look at that 83%, there were statistics that showed 10% of those utilized some of these other services that included Phoenix Children's Hospital, Mayo, barrow and such.

With those, I caution you, when -- if you talk about some of the P.C.H., Phoenix Children's Hospital to make it more brief, had 111 employees that utilized that service last year at their facility. Taking that away is -- it's not a good reflection to just think that it's 111 people that use that. People go to Mayo, Barrow, Phoenix Children's Hospital for very specialized care. I think that snapshot of one year is not a true showing of who would like to utilize this plan. Many of us sign up to have kids, you know. I don't take mine to PCH but if something was to happen, I think the biggest thing for employees, we don't want to be told what doctor we have to see. I think we can appreciate if something happens to your life, to your children, to yourself, you want to be able to seek the best doctors possible, to seek to get that treatment and to solve whatever problem you might have. You don't want to be forced on taking a -- you know, maybe a quality doctor but not the best. I have think that we all would feel that way if we looked at our own families.

Just continuing to look at the different changes that have happened. I mean, we can see that we have made changes to this PowerPoint since last week in terms of their percentages, the costs. Nobody will refute the medical costs arising and that we need to continue to shoulder that as employees, as well as the city. We are not, you know, upset about our premiums going up, because we understand healthcare costs go up. We are self-insured. I think if you look at the comparison cities, you will see that if we were to force people over to the open access plan, not the in-network for local plus that our maximum out-of-pockets are much higher than some of the other comparisons.

I ask that you try to make these decisions as informed as possible, seek further information and I believe that you will see that option one is the best option for employees in terms of being competitive in the marketplace as we look to hire new folks and continue to be the great city that we are. I would like to close that I would encourage you too to ask examples in terms of costs of our health benefits. For example, if someone moved to the OAP network that they would like to see a lot of people to go to. If you would like to keep Phoenix Children's, if you were to have a child because that's significant, like, extremely high in comparison to what we have now. I would like to close. I know my time is up. I thank you for your time and your consideration, and I look forward to your vote and I hope you option for one to continue to show your support of the city employees. Thank you for your time.

Mayor Lane: Thank you, Mr. Heron. That concludes public testimony on this item. Lauran if you could make yourself available, we may have some questions. I will start with Councilwoman Milhaven.

[Time: 00:33:18]

Councilwoman Milhaven: Thank you, Mayor. We did so well with fire and police compensation and I thought it was extraordinary that we brought together an interdisciplinary look to look at where we stood in the mark place to come to an agreement and -- and had a positive outcome. So I'm a little disappointed that we are here again. We had these long conversations when I first sat up here about health care and employee benefits and it saddened me that we are back here again. It feels like having a similar conversation about what's fair or not fair.

I have a couple of questions. Did we -- and this is -- I would hope to think that the model we set with police and fire compensation would be a model we would use for all employee benefits. So did we follow a similar model or in what way were employees consulted in terms of these alternatives? I don't know a lot about insurance. So I'm not going to be an expert but I know there are tradeoffs between premiums and deductibles to have some flexibility and what I'm hearing from employees tonight and in emails is, you know, the tradeoff between premiums and deductibles is something that they care greatly about.

And so without getting into issue specifically, I would like to understand what involvement any employee groups had in determining the recommendation for tonight. That's my first question.

Human Resources Manager Lauran Beebe: Mayor, members of council. We do have an employee benefit and wellness team that meets just about monthly where we discuss. We have Cigna come out. We look at our H.R.A. results and our health risk assessment results and we see what our high claims are and we try to tackle them through the wellness program. In addition, we talk about the different claims that we are experiencing. This year we had an increased number of smaller dollar, but an increased number of those types of claims. We discussed it with that team and disseminate the information through the departments that way.

Councilwoman Milhaven: So where are those folks tonight?

Human Resources Manager Lauran Beebe: Mayor, members of council, there is one member here.

Councilwoman Milhaven: So how would you compare that process to the process we used in determining police and fire compensation?

Human Resources Manager Lauran Beebe: Mayor, members of council, I wasn't part of those compensation teams. I can tell you that we invite every single department representation and some have a couple members that come.

[Time: 00:36:09]

Councilwoman Milhaven: My second question is how does this compare to the marketplace for health benefits for other cities?

Human Resources Manager Lauran Beebe: Okay. Mayor, members of council, Chandler and Tempe do not currently have an option similar to our OAP in-network plan. As far as the other cities that do, we have pretty similar copays across the board. Phoenix actually also put in January 1 this same local plus network on this same plan and have -- have also the larger OAP network or BlueCross network available on their PPO plans.

As far as the OAP middle tier plan, our deductibles are pretty reasonable. There are some, that is direct, that some of the out-of-pocket matches are lower, but we also have copays pretty similar to the rest of -- of the cities, and our plans are pretty reasonable also percentage-wise. The in-network is typically paid at the 80/20% level that we pay and the 80/20 in the middle tier which we are paying at 85/15.

Councilwoman Milhaven: Is that something you could share with us?

Human Resources Lauran Beebe: Yes, absolutely.

Councilwoman Milhaven: I would like to see that. And then there's nothing in our pocket that talks about the change in deductible.

Human Resources Manager Lauran Beebe: Mayor, members of council, we are not changing the deductibles. We have made a minor change due to IRS, we increased the deductible to $50 and $100 more, but that's only due to IRS regulations to make it HSA compliant. We are not making any changes to deductibles or out-of-pocket maximums on the plans. We made one other small minor change that benefits employees. Originally urgent care was subject to deductible and coinsurance. We removed the deductible and coinsurance because we didn't want to stop employees from going to urgent care. We wanted them simply to go and pay a $50 copay. And that's the only plan design changes we made.

Councilwoman Milhaven: So then I'm completely confused, because the slides and the PowerPoint say as option one employee rates increased by $5 to $39 a month. And then option two says employee rates increase by $3 to $24 a month. I'm missing the hardship that folks are describing, if the deductible stays the same.

Human Resources Manager Lauran Beebe: Mayor, members of council, those increases are simply on premium.

Councilwoman Milhaven: So maybe I asked the question the wrong way. I was assuming deductible was the same as out of pocket.

Human Resources Manager Lauran Beebe: We didn't make any changes to any deductibles or out-of-pocket max. For example, the OAP plan, the middle tier. The deductible is $750. The out of pocket max is $4,500. Meaning once you hit $4,500, the plan pays 100%. The employees might hit the deductible if they, for instance, go to the hospital and then the plan pays 90%. But the out-of-pocket max is put in place to protect employees so that once they hit that max, that the plan pays 100%.

Councilwoman Milhaven: So the folks who spoke, who took issue, do you understand what their concern is because based on what you are describing, I do not.

Human Resources Manager Lauran Beebe: Mayor, members of council, there's always risk by moving to another plan. We have met with certain employees that they currently, between plan premium and out-of-pocket max would pay the same if they switched to another plan but there's always risk for employees that maybe are just paying copays now and like it was said, they could get into a car citizen and if they were in one of the other plans the deductible and coinsurance might apply.

Councilwoman Milhaven: So if I stay in the plan I'm in and only 20% of the doctors are available, I have to switch to a different plan to use my doctor, and that's where the difference comes into play. Is that what you are saying?

Human Resources Manager Lauran Beebe: Mayor, members of council we did have an analysis on the claims data and 73% of the claims, it was -- I'm getting the numbers now. 73% of all claims were paid in the local plus network as it is today. It was 7,008 claims. And the others were not in the local plus network plan.

Councilwoman Milhaven: When do you have to have a decision made?

Human Resources Manager Lauran Beebe: Mayor and members of council, if I need to go back and make some other decisions, I can do that.

Councilwoman Milhaven: So right -- so we need to go for July 1st, right? You've got open enrollment and July 1st. So you would need a decision from us by when in order to meet the open enrollment?

Human Resources Manager Lauran Beebe: Mayor, members of council, I mean being I can do whatever you need me to do. I would obviously like to have more time but I can put it off for a couple of weeks.

Councilwoman Milhaven: I'm not comfortable that I understand what the implications are or that all the employee concerns were considered. So I will wait to see if my peers have any questions. But I'm uncomfortable with moving forward tonight.

[Time: 00:42:08]

Mayor Lane: Thank you, Councilwoman. Mr. Biesemeyer, do you have a question or a comment?

Acting City Manager Brian Biesemeyer: Yes, Mayor and Councilwoman Milhaven, the -- the change in the OAP, the in-network plan which as folks mentioned 83% of the employees are on is to change the availability of all the doctors on that -- to change the availability of doctors on that plan, such that Mayo and Phoenix children's, the two larger ones, are not accessible on that plan. So if you want that access, the employees would have to change to the middle plan which does have deductibles and out-of-pocket maximums. So that is the change. All the other plan items remain the same except for the small exceptions that Lauran mentioned.

Then the -- the other -- I could say we have done the cost -- I shouldn't say cost. The claims analysis and as Lauran mentioned, 73% of the people on the OAP in-network plan, according to the claims, 73% of the claims would still be in that network. So 73% of those claims were all in the in-network plan. That leaves 27% of the claims outside that. So that would give you an idea of how many people use those other doctors outside the -- the entire network. But, again, if folks want their doctors and want to keep their doctors, and the OAP in-network plan, then they would need to change if they had a Mayo or Phoenix children's, and there are a few others.

Councilwoman Milhaven: Thank you.

Mayor Lane: Thank you, Mr. Biesemeyer. Councilman Phillips?

[Time: 00:44:05]

Councilman Phillips: Thank you, Mayor. So I thought I partially understood this, until Councilwoman Milhaven asked questions and now, it's like, geez. If I can ask, I guess, the city attorney, this is under 4b employee medical plan and premiums, adopt resolution number 103.21, where do we get the choice to choose option one instead?

City Attorney Bruce Washburn: Mayor, members of council, Councilman Phillips, basically you would move to approve the resolution but to amend the resolution to adopt choice number one as opposed to the one that's in the resolution. You could do it that way.

Councilman Phillips: So if we chose to adopt -- I'm sorry, say that again. So if we chose to adopt option number one, would that replace one through seven in this one?

City Attorney Bruce Washburn: Yes, basically, yes, if you -- if you moved to adopt the resolution, but to amend the resolution to include option number one, then the resolution would be rewritten to put in option number one as described in the materials and you wouldn't have to come back and do it a second time.

Councilman Phillips: Okay. So you said include it. So that would mean it would be option one plus this one?

City Attorney Bruce Washburn: No, the resolution would be amended to correctly reflect what the council chose to do, which is option one as opposed to the option that's in the resolution.

Councilman Phillips: Okay. Thank you. Well, you know, this -- this Affordable Care Act, unfortunately, I think we will be going through this every year. I think there will be increases from now on. That's part of life now. We will have to keep finding a way do it. I feel we need to have enough time to think this through and hear everything and get all the information that we need.

Another question, if we can go back to option one at the beginning, I guess it was. So if I understand this, the option one, you are saying, would cost the city 2.2 million.

Human Resources Manager Lauran Beebe: Mayor and members of council, yes.

Councilman Phillips: What would it cost for resolution 10321?

Human Resources Manager Lauran Beebe: For option two, it's $500,000.

Councilman Phillips: So option two costs the taxpayers $500,000 and the option one is $2.2 million?

Human Resources Manager Lauran Beebe: That's correct.

Councilman Phillips: Okay. Well, you know, I think we need to discuss this more and I think losing Phoenix Children's Hospital, making that, having to change to get that is valid. I understand when you have to switch doctors and hospitals and medical care, what a burden it is on you. So obviously I don't know the negotiations and I don't know how to go about that negotiation, but I'm really not happy with this plan but unfortunately, I'm not happy with having the taxpayers put out another $1.6 million. So I would be in favor of delaying this and seeing if we can't come up with a better plan all around for the employees and the taxpayers. Thank you.

Mayor Lane: Thank you, Councilman. Vice Mayor Smith.

[Time: 00:47:38]

Vice Mayor Smith: Thank you, Mayor. The cost next year, just to summarize, if we went with option one, the cost increases, it's $2.8 million; is that right?

Human Resources Manager Lauran Beebe: Mayor, members of council, the total cost is 2.8 million.

Vice Mayor Smith: The total cost. And the total cost of option 2 is $700,000? So somehow in going from option 1 to option 2, you have shaved off $2.1 million of total cost, whether that's savings for the city or savings for the employee but total cost is reduced by $2.1 million. Can you tell me what part of that $2.1 million is attributed to the proposed changes of going with the local plus network, the reduced number of providers for the basic plan?

Human Resources Manager Lauran Beebe: Charlie, would you like to --

Charlie Broucek: Mayor, and members of council, the $2.1 million in difference is directly attributable to the local plus in-network plan. We can address the network further. We do have two gentlemen from Cigna here tonight. But they have a different contractual arrangement with the facilities, the primary facilities if Banner, Honor Health and with the CMG facilities so that contractual rate provides greater discounts thus the significant difference in pricing.

Vice Mayor Smith: So if I can say what I think I heard you say, between the two plans, you have shaved off $2.1 million, and you are saying all of that is attributable to the change in the first plan limiting it to just local plus network? There was no savings in the other plans for any reason from any action?

Charlie Broucek: Mayor and members of the council, we did not make any significant plan design changes to the other plans.

Vice Mayor Smith: Have you made -- this is a different question and I don't know whether Charlie it's to you or Lauran. We are seeing here on schedules that you provided in some of the summary slides, we are seeing what the change is in employee contribution. From an employees point of view, though, the contribution is not the important thing. The important thing is their cost, some of which is a contributed share of the premium and some of which is the aggregate of deductibles, copays and everything else that they incur over the course of the year. Have you made an attempt to determine what the employees' cost is versus an employee's contribution, among these three plans? And do you understand the question?

Human Resources Manager Lauran Beebe: Mayor and members of council, if I'm understanding you correctly, basically the city picks up 75% between premiums and claims costs and the employees pick up 25% between premiums and claims costs.

Vice Mayor Smith: Good answer but different question. The question is trying to get at the costs that are not part of premiums and are not part of claims processing or whatever. I as an employee will pay a tern part for -- certain part for premium but I will also, when I go to the doctor, I will have a copay. I will have a deductible. I will have other things which increase my aggregate medical cost for the year, not my aggregate insurance cost, but my aggregate medical cost. It becomes significant because if we are forcing employees to move into an HSA plan out of the basic plan, it's not simply a comparison of what their premium share will be either up or down. It's what they will incur in additional copays, deductibles and so on and so forth.

And so the question was, have you approached it from the point of view of trying to figure out what is the employees' cost? Not just the one portion of cost which happens to be premium collections.

Charlie Broucek: Mayor and members of council, the question I believe that you are asking is how much do people pick up at the point of sale? Basically through copayments and deductibles and out of pocket maximums.

Vice Mayor Smith: As well as their premiums.

Charlie Broucek: Correct. I don't have the actual -- the year-to-date numbers on the numbers in the claims. When we do underlying process, we look at the three different plan designs, one being the local in if we are looking at option two and number two would the middle plan or the OAP plan. The third plan is the HSA plan.

What I can tell you, when we look at the volume of claims that will likely through each one of those plans we have determined that the plan value of the OAP or the middle plan, the OAP plan is roughly 6.5% less than the OAP local plan. And the HSA is about 16% less in total plan value and that's just looking at the components of the plan such as deductibles, coinsurance, copays and so forth. I don't have an answer as it relates to the collection of both the contributions and the costs at the point of sale for you this evening.

[Time: 00:53:46]

Vice Mayor Smith: The reason for asking the question and it goes to some of the questions that have been posed already, you know, even trying to understand the speakers who were up here and what is the hardship that they are talking about and what is the problem that we are not understanding. I think I understand the problem. The problem is we are changing the plan in a way that will force some plan participants, like it or not, to move from the basic plan, to the HSA or the OAP plan just so they can maintain the doctor and hospital relationships that they have traditionally had. And that's painful.

And I think it's painful in these people's minds because they -- they are perceiving an extra cost out of their budget, not an extra contribution to premiums. In fact, their premiums may even be less. But they are income a sense forced into a plan which deprives -- because they are being deprived the coverages that they had in the traditional basic plan. They are being forced into a plan that will carry with it other hidden costs of higher deductible, copays and so on. We hire the smartest people in the city. They know what it will do to them. It will take after-tax dollars to them, if they migrate to that plan to keep their current providers.

I think it's always been my understanding that the purpose we had here in the insurance program was first and foremost cost effective, both for our benefit and for employees and the citizens of Scottsdale. Number one objective to come up with the most cost effective program that we can, that is reasonably competitive in the marketplace and so on. Number two objective was to -- was to create an equitable cost sharing between the citizens and the employees -- and that was something that was addressed in probably five or six years ago now, when we moved into the mode of employees paying roughly 25% of the premium cost for the various programs. And then the third objective was to try to -- I thought the third objective was to try to achieve some neutrality among these three plans so that employees could migrate from one plan to the other, according to their own desires and roll the dice on their own health and welfare and so on.

But what I see and the change that you are proposing is that we are removing the sense of neutrality among the plans. They are not -- the differences in the plans nor longer cost sharing differences or deductible differences or premium differences. The differences that you are suggesting now that we adopt is a fundamental change in coverage with a participant in the basic plan would no longer have the services of Phoenix Children's Hospital or Mayo or a number of other provides unless they opt to move into the HSA or the middle tier plan. And if they do either one of those two things, they know that their after-tax cost for medical services, premiums, plus deductibles, plus copays is going to go up. And it will go up substantially or at least that's what they perceive.

I guess I'm -- I would be -- I would love to have a third option here and maybe I'm arguing for the same delay in decision making here but I would love to see an option that says if we keep the provided coverage the same in all the three plans -- you want Mayo, you got it everywhere. You want children's hospital, you have it everywhere. But in the basic plan because it's a richer plan in terms of the benefits provided, copays, lower copays, lower deductible, whatever, then the employee premium should be higher. Not higher by $6, $24, whatever, but perhaps substantially higher. We want to achieve migration from people from one plan to another, but I don't think we want to achieve that migration by denying coverage. And that's effectively what option two does. It says no matter how much you pay for the basic plan, you're not going to get these doctors. You're not going to get this network.

I would much prefer to tell somebody if you really want Mayo, and you want it in the basic plan with the low deductibles and the low copays and whatever, then the good news is I will give it to you and the bad news is it's going to cost you. It's going to cost you quite a bit, maybe another $100, I don't know. I just don't think that we have got what I would consider to be the third and the preferred solution here. We are trying to force migration by denying service. I think I would prefer to force migration by pricing. That's the philosophy we had adopted a long time ago and I would like to see us still price it out according to that. Thank you, Mayor.

Mayor Lane: Thank you, Vice Mayor. Mr. Nichols?

City Treasurer Jeff Nichols: Yes, sir, Mr. Mayor. Vice Mayor Smith, I wanted to make one clarification. You kept referring to after-tax dollars and this is an option where the people can keep those facilities and it wouldn't necessarily be after-tax dollars if they have an HSA account. You can have your withholdings done pretax. And so the bite would be a little bit less and I just wanted to make that correction.

Vice Mayor Smith: I stand corrected on that Mr. Nichols. Thank you very much.

[Time: 01:00:33]

Mayor Lane: Thank you, Mr. Nichols. Now I hope I have a clear picture of this and I was trying to seek some clarity on a work sheet that is presented with the alternative or additional materials and it's a change in OAP, in-network plan to local plus network. I don't know whether that's available to us or not, but as I look at this, it looks to me like there's three individual plans. One is the OAP in-network with local plus network and the Cigna OAP. Are there two operate plans actually or is there a comparison here for our purposes?

Human Resources Manager Lauran Beebe: Mayor, members of council, for the options, there is the OAP in-network plan, which will change the network to the local plus network. The OAP is the middle tier plan, which there would be no changes to the network, along with the HSA plan, which would be no changes to the network. That option is a 6.4% increase for employees.

The other option that the employees are referring to is to not change the network. It would continue to be the OAP in-network plan, the OAP plan, and the HSA plan, but 10.45% increase.

Mayor Lane: Okay. So there are different increases between these plans as well.

Human Resources Manager Lauran Beebe: Mayor, members of council, that's correct.

Mayor Lane: Would the increase of 10.5 or otherwise, be an average throughout.

Human Resources Manager Lauran Beebe: Mayor, that's correct. For both the city and employees.

Charlie Broucek: Yes. On option one.

Mayor Lane: I believe it's 9 something on the other.

Human Resources Manager Lauran Beebe: Correct.

Mayor Lane: So what we are really talking about if I were to try to summarize it myself in my own simple kind of way, is -- is one man actually theoretically going away?

Human Resources Manager Lauran Beebe: Mayor, members of council, no, no plan is going away. It's just a different plan to go to if you would like to have access to the same network that employees have access to today.

Mayor Lane: Is one plan being changed to include or be with the local plus network?

Human Resources Manager Lauran Beebe: Mayor members of council, that's correct.

Mayor Lane: And in doing so, even though it's maybe the same plan, it's changed it somehow from a copay to sort of a deductible and a -- a limit, a dollar limit as far as exposure in the current year or by individual or otherwise?

Human Resources Manager Lauran Beebe: Mayor, members of council, there are still copays on the middle tier plan for specialist visits and P.C.P. visits but if someone was going to go into the hospital, then a $750 deductible would apply and the plan would pay 90% after that to the $4,500 out of pocket max.

Mayor Lane: Okay. So it's -- this 2.1 million, since it's specifically on the basis of this change, is savings that are incurred from moving primarily, not exclusively from a copay situation to a deductible situation?

Human Resources Manager Lauran Beebe: No, Mayor members of the council, that is actually we get a better contracted rate by moving to this local plus network, and that's where the savings is. I believe Charlie anticipated a 15% migration. He felt 15% of the employees but the lion’s share of the savings is through the new contract rate.

Mayor Lane: Is there not more or less a national line to move away from copays because of copays and the propensity to maybe use that system more so than the one that would require some kind of dollar limit?

Charlie Broucek: Mayor, members of council, there most definitely has been a movement towards HSA-style consumer directed plans but not to the extent that most employers have made that the only option. So copays considered -- or -- are still relevant within plan designs both for commercial accounts and for municipalities.

[Time: 01:04:50]

Mayor Lane: Well, there's one thing that I don't see on these charts and maybe there's a -- a -- from my perspective, maybe a little bit of a lack of comparative charts here but I may not have explored all of the far reaches of what was given to us. So if I missed it, I apologize.

But there is one thing that the Vice Mayor mentioned that I think is an interesting thought or at least direction and that is if, in fact, the plan that's currently in position that cost us somewhere in difference of this, somewhere in the area of $2.1 million, for whatever reason that, you know, its structure or its copay, versus whatever else, you know, might be extracted from it. Did that plan bear the cost in the premium adjustment?

And the reason I'm drawing upon the Vice Mayor's comments is because causing that movement on a voluntary basis may certainly do two things, be fairer on the overall, and reflective of the cost of that plan versus what you are suggesting going to. And if the new plan with local plus provides a kind of coverage that most people are willing to take at a lesser cost, and I realize in this case, in the city, this is something that we wrestled with a few years ago. Only 25% of the total cost is going to our employees. Nonetheless, if there's a motivator on that, it might be something to explore.

I'm sorry, Lauran, you did say that I think the new plan -- as I look at it here, just from an employee and with children and children and spouse and family. I should say employee with spouse and I should say employee with family, those rates seem fairly significantly -- I mean, they are not off the charts but they are higher than the OAP and the OAP plus HSA. So there is already a premium, if I'm reading this right. Even with the change to go to local plus.

Without the change of going to local plus, how much more would this plan actually cost, if we put full costing into the premium calculation? So participant cost on the average, of course, however that's worked. Nevertheless, what would that cost without? Is it fair for me to say on the overall, $2.1 million more? For that plan spread over the number of people that are in it? I mean, that's pretty simple stuff.

I'm trying to look at it just -- we said that all of the savings were from that change, the 2.1 million, I know there was some simple math done up here on that basis. So if that's the case, would that plan without the local plus, which I presume is the determining factor that changes the equation for that plan, would it be $2.1 million more for whatever population of people are in that plan?

Charlie Broucek: Mayor, members of council, I would have to look at the calculation again, although, simply stated, yes, that would be -- most TV would be borne by that change, because at the a contractual change with how the network is contracted with Cigna and the providers.

Mayor Lane: And what is the population of that group?

Charlie Broucek: It's about 83% of the overall, and that was my kind of hesitation. I would have to go back and look at the numbers because I would have to say, maybe it was more like 2.3% of that $2.1 million.

Mayor Lane: But even if with that. As we mentioned, before I think it's 25% of the employee and 75% to the city and that essentially, that amount of money is borne by the city.And so the city has to determine whether we have a budget for that and that's -- that's something else we would have to consider. In fact, I know in this given environment, we are still wrestling with a couple million dollars that would make a big difference on things.

So there's a couple of sides to the equation, certainly if the employees were to be increased by 2.1 million or their share, I should say of 2.1 million over 83% of the -- of the population within the city. It may not still be that motivating to move off that plan.

I have said a lot of things. I'm just trying to get down to the idea of whether there's a path to voluntarily look at what the true cost is in this and how it's represented in a premium and whether that's a motivator for people to move away from it or whether the city needs to make a conscious decision to move this direction on the basis of budget issues give than we take 75% of it.

I don't have an answer for any of that. There's a lot of conversation, but I do see and maybe he's here to bail me out a little bit on this, Mr. Biesemeyer. Do you have some comment on this?

[Time: 01:10:20]

Acting City Manager Brian Biesemeyer: Yes, if you do the simple math, you can see. If we raise the rates on the OAP in-network plan, there's no savings. This is -- that 2.8 million that needs to be made up, the 2.2 for the city. So that would be -- you can do the math on a 10% increase in rates generated roughly $600,000 for employees. If we are looking at 1.8 million, any rate increase on that is a huge order of magnitude that would take us way out of our parameters of 75/25 and we would be just really significant. So I just want to make that point. I will make that point. If we do the simple math, you can see that such a rate increase would be astronomical in my view.

Mayor Lane: There's little doubt even with 83% of the total population being in that. I guess my greater concern is the fact that maybe there's a larger amount that really does certainly a significant amount, no matter where we take that premium, that falls on the city, and the taxpayers to cover as well. So that's -- that's where we have got to wrestle it out a bit. Mr. Nichols?

City Treasurer Jeff Nichols: I'm sorry, Mr. Mayor. I wanted to go to one of Vice Mayor Smith's points about pricing this in a way that we can encourage migration without changing the plan. I believe we would have an inverse impact if we did. As was said, with that plan change, Hayes was looking at maybe a 15% migration.

Let's say that we put the full rate increase on the employees, and increase the costs such that the people migrated. The healthy people would migrate out of this plan to two of the other plans, and we would still have considerable costs in this. And I just don't know that that would be sustainable as well. If you are not experiencing any issues, a lot of the employees who are not experiencing health issues would go to the lower cost plans.

Mayor Lane: Call it migration, call it motivation to move away from an expensive plan but I think the point has been made that whether or not what -- what type of population would make that migration and I think you pointed out and accurately, that it would be the healthier segment that would move out of it. Still, I have think it really gets right down to no matter what we do, if we try to price it, it's still 75% of that burden is carried by the city and whether or not we have the resources to be able to actually do that on a continuing basis, or whether we then charge all of the plans more in order to make up the difference. And I think that would be, you know, a very difficult thing for us to probably determine.

I mean, now we would be talking into double digits across the board in order to try to make up the money or change the percentage that the employees pay. Which you know, we made the move years ago from 10% to 25%, and that is a significant change. We didn't go any further than that for some other reasons and for reasons even at the time that -- I mean it was a critical time too.

But somewhere the money has to be made up, if, in fact, we don't make a move to -- what some people might constitute as a more efficient plan. That’s it for me at the moment, so Councilmember Korte?

[Time: 01:14:30]

Councilmember Korte: Thank you, Mayor. So the number of hospitals we are in the OAP in-network soon to be called local plus network, correct? The hospitals are Banner, Honor Health and the third one?

Human Resources Manager Lauran Beebe: Cigna medical group facilities.

Councilmember Korte: And have you done, like a geographic coverage of the location of those hospitals in relation to where our employees live?

Human Resources Manager Lauran Beebe: Mayor, members of council, yes, we did. There are 39 people out of the area, mostly our retirees or cobra people. So we would want to reach out additional education to let them know how that would personally affect them.

Councilmember Korte: And how many direct healthcare providers have been eliminated in this local plus network?

Human Resources Manager Lauran Beebe: Mayor, members of council, I will invite Cigna to come up and talk about the number of doctors.

Mitchell Zack: Hi, I'm Mitchell Zack, I'm the vice president of network management for Arizona. Mayor and members of council, to answer your question, I don't have a complete answer. I need to get additional information for you. The information I have is statewide, there are over 17,000 physicians that are contracted with Cigna. Under the local plus plan, which is for Maricopa County, there are 5,429. It may give you an idea based on the 5,429 that there is a large number of physicians, but it doesn't give you probably answer you are looking for a comparison of how many in Maricopa County one way or the other. Does that --

Councilmember Korte: So I'm looking at the reduction of the number of direct care providers from our old plan to this potential local plus network.

Mitchell Zack: And I will have to get more precise information to supply you with that answer.

Councilmember Korte: So then on the same line, I'm looking for a reduction in pharmacies. Is there a reduction of pharmacies within that local plus network?

Mitchell Zack: I'm not aware of any changes to the pharmacy network.

Councilmember Korte: Or urgent care facilities or clinics.

Mitchell Zack: I'm not aware of any changes to those either.

Councilmember Korte: Okay. Thank you.

So I -- and so I'm just clarifying because the way this option one reads, we -- the total increase is 2.8, and if rates increase by 10.5%, the increase is still 2.8. That includes the rate increase.

Human Resources Manager Lauran Beebe: Mayor members of council, yes, that's correct.

Councilmember Korte: Okay. And I understand staff's concern with $2.8 million increase, that is a huge amount, particularly when we look at many of our needs that are unfunded because of our failure to pass our bond measures. I understand that. However our employees are assets and while this change may affect what 25% of the employees somewhere around there, I'm trying to think of what that number is. That's 25% of our employees.

And I am in favor, along with Councilwoman Milhaven and perhaps Vice Mayor Smith to, shall we say, continue this conversation, looking for some other options that are perhaps somewhere in the middle. I think that whether it is a passive or active force -- forced migration to change plans. That basically is saying that you are looking at more than a 10.5% increase or a 6.5% increase because of the out-of-pocket expenses to maintain the same care providers. So I would like to see some other options.

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

[Time: 01:20:04]

Councilwoman Littlefield: Thank you, Mayor. I too am very concerned with this. I don't think that I have all of the total understanding that I want as to the consequences of this. I understand as Councilwoman Korte that we have an increase in cost here, but the whole idea of having medical care in the first place is to benefit our employees, because they are worth it. And if we offer them a medical care plan that they don't want, or that doesn't fit their needs, we are not really benefiting them. So that's really where I'm coming from, first of all.

Second of all, I don't totally understand the difference in the cost even yet. I would like to see some sort of an analysis of if a person has a child that has a particular disease, whatever you want to call it, has to go to children's hospital, gets excellent care, recovers, or has -- or cannot go to children's hospital, has to take that child somewhere else under this option two, what is the difference in cost? For care, the total cost for the employee to get that child, get it healthy and get it home? Okay? Or another way of saying it, how much is the total not only premium cost on a monthly basis, which can oftentimes be the least amount of your medical cost, but also what is the out-of-pocket cost to go to the hospital -- any hospital on the plan, and then what is the total payment that they have to make to reach a deductible or to reach a total cost for a year because that year payment has to be repeated every year. And so that's something that I would like to see, what is the difference there? Because some of those costs can be much more significant than just the monthly premium that comes out of a pay check.

I would also like to ask drugs and prescriptions for medications. Are there any changes with any of these plans. Are they all covered to the same extent and the same cost coverage?

Human Resources Manager Lauran Beebe: Mayor, members of council, yes. The pharmacy plans have not changed with the HSA other than preventative medications. Everything else has to go to the deductible first, but that's no changes.

Councilwoman Littlefield: Okay. Let's see what else did I have here? There's so much on this. It it's been very difficult.

Has there been any survey done of the people who are on the -- what we would call the option one plan currently, the network plan, on how many of these people would be willing to change or how many of them want to stay on this and what their feelings are about this. How much of an increase in cost would they be willing to bear as -- in order to keep this coverage? How important is it? And I think that's a very important thing to find out from our employees who are on this, because they are the ones if we keep it, they are going to have to increase the cost to them also, and it's also -- I want to know if they want to do that. If they are willing to do some of that increase in costs, how much? And I think that's something that we should ask them. They are the ones that are going to live with our decisions.

The other thing I had, which really isn't -- I don't believe directly related to the mar cost but I just want to make sure I'm clear in my own mind, as I look at all of these different activities, the wellness incentive, that's independent of any of these; is that correct?

Human Resources Manager Lauran Beebe: Mayor, members of council, of anything that we ask you to approve, we would include the wellness incentive, along with the tobacco surcharge.

Councilwoman Littlefield: Okay. So those would be the same regardless of what option we pick? Okay.

And there's one thing that did bother me quite a bit in one of my emails and that is that several employees were suggested to that if they did not go with the option two, that that would mean that their employee raise might not happen, the 3% employee raise. Has that ever been a part of the discussion with any employee?

Acting City Manager Brian Biesemeyer: I got this. Mayor, Councilwoman Littlefield, as explained on my video that you saw, yes, the total package deal, there's a lot of things that are up to council and it's up to council to decide the total package. As was explained there, this is one part of it. So when you look at all the components together of all the costs, yeah, I have a concern that if you put all of those could haves to go, that it's difficult to maintain the -- costs together, that it's difficult to maintain the pay raises with all the other priorities.

It was not my decision to make but it was expressed in the video, that yes, there is a concern about that. I didn't say it wouldn't. It's not my decision to make.

Councilwoman Littlefield: Okay. That's all for now. Thank you, Mayor.

Mayor Lane: Thank you, Councilwoman. Councilwoman Klapp.

[Time: 01:25:41]

Councilwoman Klapp: You mentioned earlier that the deductible for the option two is 750; is that correct?

Human Resources Manager Lauran Beebe: Mayor, members of council, that's correct.

Councilwoman Klapp: And the maximum out of pocket for an individual is $4,500.

Human Resources Manager Lauran Beebe: Correct.

Councilwoman Klapp: What is the deductible on current option one? What is the deductible there?

Human Resources Manager Lauran Beebe: There is no deductible on the OAP in-network plan it's simply a copay plan.

Councilwoman Klapp: And what about maximum out of pocket?

Human Resources Manager Lauran Beebe: $2,500 is the maximum out-of-pocket on that plan.

Councilwoman Klapp: So the difference between the two plans cost-wise is this $750 deductible and potential $2,000 difference between the two plans on the maximum out-of-pocket?

Human Resources Manager Lauran Beebe: Mayor, members of the council, there's a $2,000 difference on the OAP and $1,500 on the HSA plan.

Councilwoman Klapp: Okay. The premiums are a little lower on option two, as I recall than option one?

Human Resources Manager Lauran Beebe: Yes, the difference in premium on the OAP program between the OAP in network in family is $900 and $1332 on the HSA plan.

Councilwoman Klapp: So I can see the difference is fairly obvious to me on what is the difference between one and two, and the difference in cost is significant. So I'm willing with the rest of the people here to delay and discuss this again, but I don't really see a great solution other than what you are raising. There is a deductible on option two. So we are right back to probably devising a plan that's similar to the one that you presented to us, as I understand it.

And then finally, you mentioned that the number of doctors -- the doctors that are available on option 1, as I understand it, there would be still 77% of those doctors available on option 1 that are currently available today if the others would be male and Phoenix health -- Phoenix Children's Hospital doctors, that would be my -- that would be moved to option two, is that correct?

Human Resources Manager Lauran Beebe: Mayor, members of council, it's 73% of claims are paid in the local plus network. It's 78,000 claims.

Councilwoman Klapp: But of the physicians that are allowed under option 1 currently, what percentage of those physicians would still be available to people in the local plus option? How many of those physicians would still be available? I'm asking whether or not you are asking to primarily move Mayo doctors and children's hospital doctors essentially over to option two, but the rest of the doctors that are currently on the plan, which is Honor Health, Banner and the Cigna doctors, those would still remain available, or is the number of those doctors being cut as well in the local plus network?

Human Resource Manager Lauran Beebe: Mayor, members of council, the ones with Honor Health, Banner and CMG would be available on all three plans. It's mostly the Mayo and the Phoenix Children's Hospital that is not covered in the local plus network. I believe you said there were 5,000 doctors in the Maricopa County area?

Councilwoman Klapp: Okay. So theoretically then, most of the people that are on the current option one that would become local plus would stay in the plan if they did not have a Mayo or a Phoenix Children's Hospital, they would probably stay in that plan. So I can see where there would still be probably the majority of people would remain with the plan and some smaller group would have to move to option two if they wanted to stay with specific doctors at Mayo or at Phoenix Children's Hospital, and they will have to pay more in the way of deductible and out-of-pocket in order to use those doctors in option two?

Human Resources Manager Lauran Beebe: Mayor, members of council, Hayes company has predicted about a 15% of the 83% in there now would probably migrate to one of the other two plans.

Councilwoman Klapp: Okay. I think I understand it and I'm willing to discuss it again, but it -- it's fairly obvious to me what one two, and three are all about and essentially you are trying to save up to close to $2 million in order to make the change. So I will wait and see if the majority of the council wants to move this a couple weeks to talk further, that's fine with me, but I think I get what you are trying to get here. I don't really need any more information is what I'm saying. Thank you.

Human Resources Manager Lauran Beebe: Okay.

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

[Time: 01:30:38]

Vice Mayor Smith: Thank you, Mayor. One of the speakers made the comment that only 22% of the providers would be left in this first plan, if you went to the local plus network. Do your statistics validate that number or do you have any idea where that 22% came from?

Human Resources Manager Lauran Beebe: Mayor, members of council, Cigna was at that meeting. Someone else, and I believe 22% is correct. We just pulled the actual claims that our members used and we found that 73% of all services were already in the network.

Vice Mayor Smith: Let me go back to your -- what part is correct? 22% of the providers -- only 22% of the providers will be left in this plan after it's modified. Is that what you are saying? Is that a correct statement?

City Treasurer Jeff Nichols: Mr. Mayor, Vice Mayor Smith, that's correct. I did the math. The gentlemen came in, 5,000 left in after 17,000. I did the math at about 29% but what we are saying is that currently as the plan currently existed, those 22% of those doctors are handling 73% of the claims. So the balance of the doctors, you know, the 78% are handling then what 20 -- I'm bad at math on the run, but handling 23% of the claims or 27% of the claims.

So there's a disproportionate number of people that --

Vice Mayor Smith: So we have some doctors that aren't working hard enough.

City Treasurer Jeff Nichols: They work very well and I think they are paid very well.

Vice Mayor Smith: I think the statement is still true then that only 22% of the providers will be left in this plan once it's redefined, whether they are currently somebody that people are going to or providing services or not. To the other question of what's left here, we are told that Banner, Honor Health and Cigna will be the providers, Mayo and Phoenix children's and a few others are out of this program. They will be in the other programs.

Did we get some kind of a special deal? I mean did Banner, Honor and Cigna say if you close those guys out, I will give it to you to are half price or words to that effect? What kind of bidding contest went on here?

Human Resources Manager Lauran Beebe: Mayor, members of the council, Cigna does contract with Banner and Honor Health and it produces a better contract if we limit the network.

[Time: 01:33:35]

Vice Mayor Smith: If we eliminate some competition. I think I'm a little bit troubled by the changes we made in the basic plan by using that to force migration and as somebody said, we only have 15% proposed migration or expected migration.

Let me ask you another question of mathematics if I may, just so I can get an understanding. In the, what you call option two, reducing the first -- the basic plan to a local plus only network, the total monthly premium for an employee only is $523. I have that here on some schedule. I think that's right. If we did not make that change, the employee premium, a monthly premium would be $562 for employee only. Is that correct?

Human Resources Manager Lauran Beebe: Mayor and members of council, yes, that is correct.

Vice Mayor Smith: So what we are doing in sort of gutting the basic plan is to reduce the total monthly premium from $562 down do $523 or to save roughly $40 per month for an employee? I guess I pose the hypothetical again, would there not be some willingness open the part of employees who are currently in the basic plan to say I will suck up $40 a month to keep this plan, to keep all the coverages, to keep the other 78% of the providers, to keep the Mayo, to keep children's hospital and to keep everything that I had before? I will pay the whole dog gone $40 and forget imposing anything on the city. Is my math wrong here?

And is that not a question we should ask the employees before we just totally destroy the coverage in the first basic plan and if I'm -- if I'm wrong in where I'm headed with this question and this logic, let me know Charlie or somebody.

Charlie Boucek: Mayor and members of council, councilmember Smith was referencing the employee only difference of $40. Certainly that number increases significantly as you choose to include a spouse or children --

Vice Mayor Smith: Obviously.

Charlie Boucek: On the plan. So if we are going to ask the employees to actually bear the full cost of that. If we look at a family unit on the plan, difference in that particular would be call it roughly $120 a month. So now you are talking more like, you know, $1,400ish -- $1,350 an additional expense per year in order to stay on that plan.

Vice Mayor Smith: You are making the same point I made except I talked employees only and you talked about the bigger number for families.

Charlie Boucek: Correct.

Vice Mayor Smith: In either case -- in either case, I think it may be a less onerous number for people -- for employees to talk about, and this by the way is if they bore all the cost. No imposition of cost on the city. I will wait for the little sidebar conversation to finish. Do we have music we can play?

Acting City Manager Brian Biesemeyer: Mayor and Vice Mayor Smith, what you are talking is rates and so I think our confusion here, is there's a rate cost and then there's the actual medical cost too. While we can talk about these, there is also the part where there is the self-insured and what we actually pay. So I think we need to do a little more analysis on this. We can get back with you on that one.

[Time: 01:38:39]

Vice Mayor Smith: For the record, I'm looking at a column that says next year's monthly premium. If there's some other cost than the total premium that aggregated to the total plan, then we are obviously looking at a piece of paper that doesn't communicate with us.

Here's my point, regardless of what you come back with, and I think you will come back roughly, you know, corroborating the numbers we have talked about, if a single employee were willing to pay another $50 just to have the program without all of these new tweaks on it, or for that matter if the employee and his spouse and his family were willing to pay another $120 a month, just to have you stop tweaking the plan, is that not a question we should ask them? Rather than simply denuding the plan of all hospitals except those that got into the bidding agreement and denuding it of 78% of the providers?

When you come back to us, I guess I would like some confirmation that we talked to the employees and got a sense of their willingness. And by the way, what I'm suggesting if they were willing to do that, then we are not talking about the city taking 75% of $2 million. I'm talking about the employees taking the whole two million dollars and maybe there's a compromise where we do take some for the city.

But I'm just not comfortable with the plan that we have -- the options that we are looking at. Thank you, Mayor.

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

[Time: 01:40:23]

Councilman Phillips: Thank you, Mayor. I have a question of, do you know what percentage employees take advantage of the wellness inventive?

Human Resources Manager Lauran Beebe: Mayor, members of council, we have 40%.

Councilman Phillips: 20%?

Human Resources Manager Lauran Beebe: 40%. 4-0.

Councilman Phillips: 40%. I don't know about that one way or the other.

And I was thinking along the same lines as Councilmember Smith, when I see that $600,000 and the $2.2 million and that's 10.5%, and then maybe the employees would be willing to go to 1 million and we would be 1.8 or some other number like that. If -- if they are willing to do that and I'm thinking they would be willing to do that as long as they are paying less than they would be paying under the Affordable Care Act and I'm not sure what that is per person. I think that's $770 a month per person and I don't know what it goes from from there. I would sure be willing to find out what the employees are willing to go, how far that is and give us another option.

It sounded like there was three or four of the councilmembers that sounded like they didn't get enough information too, and a few of the staff that said we will have to get back to you on that.

I guess at this time, I will make a motion to continue this discussion until a further date when we fine tune it.

Councilwoman Littlefield: I will second that.

Mayor Lane: The motion has been made and seconded. Would the second like to speak toward it?

[Time: 01:42:02]

Councilwoman Littlefield: Thank you, Mayor. I would like to reiterate, again, I would like a little bit more interaction with the employees themselves and how they feel about this. If they are willing to go with this and work with us to have a better distribution of the cost, that's fine, but if they are not, that would be fine too. I would really strongly suggest that we have more of a survey, especially for the people who are in this program.

Also, it wouldn't hurt to look at any other alternatives that might come to mind to see if we can find some sort of a halfway house, something we could all look at that point too. Thank you.

Mayor Lane: Thank you, Councilwoman. You know, I have just got a couple of additional comments I would like to make. Number one, I think that there's -- we do have sufficient information to evaluate this here and I know there's a whole lot of time and effort put into this and even to the point of communication. And we do have some employees here that are concerned about this plan that's being suggested or recommended by staff, versus option one. And certainly understand as we go through these things that always is a difficult kind of thing to consider any kind of change.

I will tell you that I -- I don't know. A lot of numbers have been thrown around but if only 22% of the doctors remain in this revised plan, I can see where that is a bit of a problem certainly, but nevertheless, that's -- in fact, that's a big problem. I'm not sure if we are getting those numbers exactly right, if that's 29 or 22% or different than that. I get the 5,000 versus the 17,000, but that's statewide. I'm talking about what's happening right here within our area. So that's -- that's something if we are going to come back with anything, I would certainly like a clearer picture of that. I will probably go with -- I will go with the continuance. I think that's the majority of the feeling here. We will see what you can come back with variations.

There's one other disturbing issue and I'm not sure that I have, when you change this to the OAP plan, to the local plus network, with the change in the deductible and the out-of-pocket, it's more than just getting better rates because you have a greater exclusivity to it. It's got a lot not to do with the anticipated use by virtue of people making decisions because their exposure on the case-by-case basis of uses goes up. What the overall claims experience is also impacted by that. And, of course, just the idea that you now have eliminated for the equation of insurance, you have eliminated a certain amount of additional money that will be coming out of pocket or at part of the deductible.

So I know there's a number of factors that go into that and it's not all just how well it was negotiated. I don't -- you know, I believe part of that negotiation is consideration by whomever is setting the price, considering those factors too. We dealt with this once before in a very similar manner. It was a matter that we had a very, very premium plan. And we at the time, the city was only -- or rather the employees were only contributing 10%. And so there was no motivation, even though the significant percentage of the exposure was in a certain plan, it was a high-priced plan. It had very good, very low copays and very low deductibles, and the best of care. I mean, even by the group of doctors that serviced it. It wasn't any way to actually sway people away from it, particularly when the city was picking up 90% of the costs, even if you increased the cost, it still was substantially there. But it did cost us significant amount of money each and every year. And we had a lot of people in that plan.

I'm not sure that the comparison, and I know I just said that it's comparative in this sense. What we are talking about here is trying to adjust to a changing market a little bit. That's why I asked the question about whether there is a movement and I believe there is, away from the deductible -- or, I'm sorry, copays into out-of-pocket and deductibles, increasing those deductibles. That is a significant increase in cost to anyone that has the insurance. So that's -- that's a factor that we want to consider here. But ultimately, it is a matter of whether or not this is the kind of plan that the city can necessarily afford given the division of costs and otherwise, whether we continue to move this, in this direction or whether we try to motivate by either -- by pricing or otherwise, to move people into other plans.

So I'm -- I think a lot of work has been done here. I think this is a -- is not -- is not an unreasonable result. If there's some fine tuning that can occur here, I'm not sure what I would see it to be. But if it's just a matter of more conversation, it's probably not going to lead us to any different conclusion as to what is the most effective plan that we can put in for the sake of our employees as well as our city. So I will leave it at that, I will go with the continuance and I know that -- I believe the majority here is for that position.

So Councilwoman, Milhaven.

[Time: 01:47:59]

Councilwoman Milhaven: Thank you. And I will try to summarize some of my thinking and help to give you some clarity around so if you are continuing, this what do you want me to bring back? So here's one woman's thought on it.

First, I think we all know that we live in a world with increasing health care costs and reduced benefits. So I think that's a reality we all accept. But I think what we are missing here is maybe a discussion of what kind of a culture -- employee culture we are, one of the employees we got said we are risk adverse as an employee group. We like to have -- our premium would be reliable, what my out-of-pocket may be unreliable and we have a history of sharing in the cost to take care of the family. So it's more of a shared cost in the premium.

So maybe we need to say that out loud or find out from the employees where are they because when you -- when you move to -- when you are shifting folks to a higher deductible, it says the individual is going to pay more of their own personal share, rather than have it spread across. So I think we probably need to have a conversation with our employees, which does it prefer.

I think there's also conversation around the tradeoff between the premium and the deductible, right? So if you pay more premium, that's some of what the Vice Mayor would get to I think part of that is do we revisit the 75/25 and if I remember from that conversation, the city agreed to pay 1% for the employees and something different for family -- for dependent family members. So would employees be willing to revisit that if it helps to mitigate the expense?

I think we need to put this in context for the competitive marketplace. I know you shared some things verbally. I would like to -- I think we can do some work with the employees groups and realize that we are in a competitive mark and we want to be fair and equitable. We are not just trying to do math. Of the emails we got talked about what type of employees would reduce expenses and educating employees to that opportunity.

And lastly, I think this is what the Vice Mayor was trying to get to as well, right? You have the total cost of providing health care to our employees and so that's administering the plan and everything paid to health care providers. Okay. So then you have claims. Whatever is deductible or out of pocket is shifting that cost to the employee and so while you are saying the $2 million reduction is partly a change in contract rates, I have to imagine it's also in part shifting some of those costs in the name of a deductible or out of pocket to the employee and so now it's -- the employee is paying a greater amount. If we were to say shifting that, so that's $1,000 an employee which gets to the maybe it is too cost prohibitive for employees to pick it up, but I think there is probably as somebody said something in the middle.

So I hope that gives you a few thoughts about sort of where I am about what you might bring back to us. Thank you.

Mayor Lane: Thank you, Councilwoman. I see no further comment on this motion. The motion is on the table. I think we are then all ready to vote then. All of those in favor, please indicate by aye and register your vote. Those opposed with a nay. Aye. It's unanimous to continue it. I hope we provided enough guidance that we'll be able to have something to talk about next time.

ITEM 5 – ARIZONA BIKE WEEK WESTWORLD EVENT AGREEMENT

[Time: 01:51:57]

Mayor Lane: All right. Our next order of business is Arizona bike week, WestWorld event agreement. And we have Brian Dygert here somewhere to present. And, of course, Brian is WestWorld general manager.

WestWorld General Manager Brian Dygert: Good evening, Mayor, Council. Brian Dygert general manager of WestWorld. I'm here to share an amended contract for FX promotions, the producers of Arizona bike week. Arizona Bike Week as I think you are all fully aware, has been produced since 2000 and they are celebrating their 20th year in 2016. 2014 was a major year of transition and change, which led us to the current contract that was approved by you all in February of 2015. In turn, that yielded last year's event and the why we are here to discuss the amendment and restatement is due to all of the positive work that came out of the 2015 event.

Fundamentally it really revolves around one simple piece which is growth. The event would like to grow and the venue would like to see it grow, which would also enable WestWorld to grow as well. I'm going to go through the specific details that are different from the current standing contract and the amendment that is in front of you. And this screen is not on. Is there something that -- anyways, that's okay. So I can't exactly see, but I will do my best.

The original contract was a five-year contract. It was a three-year base with two one-year extensions and had a 3% escalation rate that were applied to the two extension years. Again, that contract was initiated in February of 2015. The amendment and restatement is the exact same contract, just restated. It does change -- it duplicates. It doubles the terms. It goes for ten years. It's a five-year base with five one-year renewal options.

Those options are black and white and unilateral between either side, operator or producer. It does have a different escalation rate at 2.5%, but that would start immediately next year in 2017. The base use fee is different, and one of the components that's different about bike week and where it's trying to go, where we are both trying to go, again, is growth. It's actually about where the core of the event has been produced and I will explain it in two seconds. Thank you very much, Brian.

The base use fee was 25,000 a year. The amended contract would move it up to $30,000 a year. The length of the event is staying the same from Wednesday through Sunday. Growth is trying to happen by the producer within those five event days. I can get into some of those specifics if we need to as we go. You will see the differences in the asset list. Fundamentally, lot c comes out. Lot h goes in, and the TNEC goes in. And it goes in starting with 2016 for one event day, which would be Saturday of their event this year. The TNEC represents, again, the entire event is actually moving its physical location within WestWorld as a core component of its production entity with the TNEC will be the hub to that. They are going into the vintage motorcycle auction business, as well as indoor A.M.A. sanctioned dirt track racing. They will use the Equidome and the north hall for those components, again, starting in 2016.

This is one of the unique changes that's different between the two, R.V.s in the original contract was set at the base fee of $100 per unit. That has been changed and it's been decreased to $82 a unit. There's a financial ramification in all of this growth function. This is what's making up the difference, but if we get the growth right, with growth from WestWorld is about, hopefully this event can grow to where it encompasses all of WestWorld Monday through Monday. And if that happens, he actually would -- he, the producers would spend more money on R.V.s because they would buy and use them all.

Parking credit stays exactly the same. WestWorld uses a third party vendor that administers all the parking services. WestWorld receives 32% of the gross receipts and that 32% is split in half between the venue and the producer. This, again, is a detail of change.

Originally on whether all of you do remember or not, bust anyways -- but anyways, the alcohol credits. In the original contract, WestWorld's standard procedure through contract with the vendor, WestWorld would receive 30% of commission on alcohol sales. We yielded that 30% to the producer in the original contract. The producer was also receiving 20% from the vendor. So they were getting 50. The vendor had 50 to operate in. We all moved on. The food credit WestWorld received standard 20% of –

[Time: 01:58:14]

Mayor Lane: Excuse me one second. Brian, when we talk about the alcohol credit, the original credit and I may be misreading these numbers that are here and for that I apologize in advance, but the original contract, alcohol credit, 30% from WestWorld, and 20% from vendor meaning -- where is this 50% going?

WestWorld General Manager Brian Dygert: Mayor, it was going to the producer.

Mayor Lane: Okay. All right. So last year was a 50/50 between the catering company and themselves?

Brian Dygert: That is correct.

Mayor Lane: Okay. And so we weren't involved with that at all? All right. So the food credit was 15% from WestWorld, meaning that goes where?

WestWorld General Manager Brian Dygert: That 15% is credited to the producer. WestWorld would maintain 5% by contract WestWorld would receive 20% from the vendor, which is M. catering. We were crediting 15% of that to the producer. That stays the same, between the two contracts, the change is in the alcohol.

Mayor Lane: What is the net effect here? What is the city --

WestWorld General Manager Brian Dygert: 4% comes back to the city.

Mayor Lane: How would I get that from that bullet point?

WestWorld General Manager Brian Dygert: First line. The first line alcohol credit, 30% from WestWorld in the amended contract it's 26%. I didn't change that. I promise.

Mayor Lane: No, I'm not looking for promises. I'm just looking for understanding of what we've got here. So on the overall, we went from last year of 50 -- on alcohol sales of 50/50, with the city completely out of it, to --

WestWorld General Manager Brian Dygert: 48, 48, 4.

Mayor Lane: Okay. Am I meant to get that from this slide?

WestWorld General Manager Brian Dygert: Um, indirectly the answer would be yes, Mayor, because the 26% and the 22% is 48%. So that's half. The vendor has control of the other 48%, and that yields 4% that's left over and it comes to us through -- it comes to WestWorld via the city through the vendor. And so the difference between the 26% and the 30%, that's where it is.

Mayor Lane: Okay. So if I were to just put it in terms that I would sort of be able to recognize, it's 48% to the vendor, 48% to the event producer, and 4% to the city on alcohol?

WestWorld General Manager Brian Dygert: That is correct.

Mayor Lane: Okay. And last year it was straight 50/50?

WestWorld General Manager Brian Dygert: Correct.

Mayor Lane: Okay. And you are telling me now that on food, it's 4% as well?

WestWorld General Manager Brian Dygert: No.

Mayor Lane: For the city.

WestWorld General Manager Brian Dygert: No. No. It stays the same at 5%.

[Time: 02:01:17]

Mayor Lane: Okay. I'm sorry, Brian. There isn't any way I would haven't about able to conclude it, if I'm meant to conclude it from this slide. There would have been no way I would have been able to conclude that, but I do have another question that goes back to the base use fee. From the original contract it was $25,000 a year and went to $30,000 a year. Same event days. But we went from most of the use of lot and turf field to continuing with the turf field and a portion of t lot and one lot, just one day, but nevertheless one day at TNEC. In our facility, even though one day out of the five days?

WestWorld General Manager Brian Dygert: Yes, correct.

Mayor Lane: But there's no way otherwise to rent the TNEC as it is? So the $5,000 differential is for the use of a 125,000 square foot climate controlled facility?

WestWorld General Manager Brian Dygert: That's correct.

Mayor Lane: Is that our standard rate?

WestWorld General Manager Brian Dygert: No, it would be $8,500. North hall is $5,000 and the Equidome is $2,250. Again, that's work we both put into it, the producer and I, and, yes, you were at the right conclusion, because the TNEC -- the TNEC can't do -- it's got to do one or other. It can't do both. So one of the goals to the end of this was getting them into the TNEC to start. That's what this whole thing is about.

Mayor Lane: But for one day -- and I'm sorry. What is the standard cost for that facility, now I'm talking about the old Equidome, the whole kit and caboodle, are they using the whole thing.

WestWorld General Manager Brian Dygert: No they will only use the Equidome and the north hall and if you did the math between those two, it would be $7,250.

Mayor Lane: That would be the standard rate?

WestWorld General Manager Brian Dygert: Correct.

Mayor Lane: For a day?

WestWorld General Manager Brian Dygert: Correct.

Mayor Lane: And essentially that's been reduced to $5,000?

WestWorld General Manager Brian Dygert: Correct.

Mayor Lane: Okay. All right now I'm going to go to the real crux of this thing because we struggled last year with the three-year contract, and now we're going to -- well, three year plus two or five-year contract. And now we're going to a five-year base contract, with five one-year options under the same -- essentially the same terms. It's a ten-year contract. What is it that the city got for that?

WestWorld General Manager Brian Dygert: Fundamentally a piece of volume -- a piece of alcohol sales back and the hope that we have got an event that we can grow to encompass all of WestWorld from Monday to Monday. The single what's this stimulus or catalyst for WestWorld to go to work and try to figure this out, it's that. It's event compatibility. Bike week is right in that spot that it's either got to grow larger and take the entire facility or we constantly have struggles and problems only because of event compatibility. There really aren't -- bike week is unique and it's because of the amount of motorcycles there are not too many other events you can put on while bike week of its size is happening. So they wanted to grow.

The encouragement for them to grow is that they would actually be financially representing the bulk of WestWorld for a Monday to Monday. This was the precipitous to hopefully say that step. Nobody could look into the future and predict exactly what that means. That's actually why the one-year extensions are on that, so that in each of those extendible years, either us or them cannot extend if it's not working.

Mayor Lane: Well, I guess I'm concerned about going from essentially a five-year contract to a ten-year contract. I understand to some extent what you have just said, and for that, we reduced the escalator. We gave them -- reduced amount for the use of TNEC in whole or in large part for a day, and tied that up. And then we reduced the cost of the R.V.s. I'm certain there's -- there will be more of them. Hopefully there will be.

But I'm wondering whether or not we have an absolute guarantee of that, number one, through the course of this ten-year period of time and the other is what is the cost on these. What is the standard price on the R.V. hookup?

WestWorld General Manager Brian Dygert: That $82 would compare to $150 retail across six days.

Mayor Lane: Okay. So we're essentially about half the price on it, and that -- that includes whatever utility cost that they have associated with those R.V. hookups?

WestWorld General Manager Brian Dygert: Yes, that's correct.

Mayor Lane: And the other thing on a standard basis, we went from 70/30, 70% going to the vendor on the premises and 70% to the city. So where we have now worked our way back to 4%. I realize this is a -- a large part of the activity. I'm talking about now on the alcohol sales, the activity that and incumbent on this for the event producer.

But I'm just a bit concerned that, number one, that the person who provides -- or the vendor who provides the material itself, they took a hit along with the event producer, which is straight on the basis of what they bring in on this. And that we, obviously as I say, we moved off of zero, but not anywhere close to where we were with what we have considered to be the standard. Okay.

Let me just -- let's continue as far as what we have got here. Thank you.

[Time: 02:07:43]

WestWorld General Manager Brian Dygert: Were there any other questions on the alcohol and the food?

Mayor Lane: There is one but you haven't gotten to that slide yet but nothing on that.

WestWorld General Manager Brian Dygert: There's only one more slide. This is the end. Although, there's a simple financial summary. This is the other difference inside the contract. The original contract we provide domestic garbage and restroom right now as part of the base use fee which is in that $25,000. The amended contract, the domestic garbage stays the same and we took out the rest room service. So they can either hire us at our hourly rate or use any third party that they would choose and we did that because of the restroom volume that's in the TNEC. That's a distinctive difference in those terms and this only gave you a little bit of a snapshot of what 2015 produced, the difference between event invoice. That is the direct dollars that come via the business relationship with the producer, the total event revenue. Those are the other revenue streams. In this case, you had three things that make up that $27,000 difference, ATM concessions, the 5% on food and the 15% on parking.

Mayor Lane: Is this the total amount, the $148,276, that's total amount that the city received?

WestWorld General Manager Brian Dygert: Correct. On this event in 2015.

Mayor Lane: Did we do any estimates to adjust the projection as to what this contract would produce even for the next year?

WestWorld General Manager Brian Dygert: I did not try to project out numbers, but if you just looked at the -- if you looked at 2015 numbers, put the amended terms in, it's an $18,100 upswing.

Mayor Lane: Well, I just remember in reviewing the numbers in last year when we put the original contract together, when you put the original contract to go, we had come off a much heavier line to the city than what we were able to project at that point in time. I don't know where this compares to that mar schedule but it would be interesting to see where that actually landed and I'm hoping somebody is looking at that. And then as we project any kind of new terms on this projecting, what it will mean to the city.

I'm concerned this is a high volume event. It does create a certain amount of additional service requirements on the part of the city outside of WestWorld, and it has a specific and significant impact on our community too that we have to reckon with. I'm hoping that we can get some projected numbers on this and see what we are really talking about here. I'm a little concerned that we haven't really taken the terms that we have just seen lined out and see what it actually means to the city. And the use of it. And I would also venture to guess that last year, there was no use of TNEC at all during the same time frame?

WestWorld General Manager Brian Dygert: Mayor, that is correct. No. Complete -- they are down below on the turf, on the retention basin, in the turf field.

Mayor Lane: In the parking lots.

WestWorld General Manager Brian Dygert: That's the core event. This is looking at they will come up and use that, and they will use the parking lot to the west of the TNEC. Well, the entire event will be produced from there, but they will engage the TNEC but the stage and the vendors will all be in that parking lot to the west of the north hall. That -- and that's one of the differences here, and that's what led to all of this work. Because taking that event from down below and bringing it up top and using the TNEC is exactly what is new.

Mayor Lane: Is the use of the city's tent included in one of these lots.

WestWorld General Manager Brian Dygert: No, if they would add it, it would an added line item at current posted rates. It's not included in any of this work or expectation.

Mayor Lane: Just so I'm clear, because I don't want to miss this point. TNEC, they are going to use it. They are just not going to activate it -- they will activate it as for one day but otherwise they will be using it as base of their operations?

WestWorld General Manager Brian Dygert: The best way I can answer that is no. The base of their operations is actually their stage and outdoor space. So it will be immediately west of the north hall. That will be activated for five days. On Saturday, they will have a climax. And so they will have some -- two move-in days and they will have activity in the north hall and the Equidome but the Equidome and the north hall will not be engaged for activity until Saturday with an auction in the north hall, and A.M.A. dirt track racing in the Equidome.

Mayor Lane: Do we normally charge for move-in days.

WestWorld General Manager Brian Dygert: Sure.

Mayor Lane: And so is that on top of that 7250 that you were talking to me about?

WestWorld General Manager Brian Dygert: Yes.

Mayor Lane: You mentioned 14. It was $7,250 a day.

WestWorld General Manager Brian Dygert: The answer to that is yes.

Mayor Lane: So you had two days of move-in. What would we typically charge for that?

WestWorld General Manager Brian Dygert: 30% of the.

Mayor Lane: Of the $7,250?

WestWorld General Manager Brian Dygert: Correct.

Mayor Lane: So approximately another $2,200.

WestWorld General Manager Brian Dygert: Sometimes two. Another $4,500 to $5,000.

Mayor Lane: And we are not charging them for that?

WestWorld General Manager Brian Dygert: All of that went into the calculation of the whole thing. So we didn't just pull out one -- yes, we paid attention and yes, we discussed all of those things. The entire event production and the costs of all of those things but the movement from where it's been, to where they want to go, and WestWorld's interest, if we are going to be a part of that growth, the interest to WestWorld is that they can grow big enough to occupy the entire facility. That was the single component that led us to this restatement. It's not as simple as what you were saying, but, yes, we paid attention to that, and yes, we discussed every single one of those details.

Mayor Lane: So over ten-year period of time, there's no provision, ever, to recover for the move-in days. Which we would normally charge. This is irrespective of the growth, and we understand we want to see them grow and this and Saturday. There's still the bare fact that over ten years, those provisions are not in there.

WestWorld General Manager Brian Dygert: Mayor, the answer to your question, I think specifically is no. There's not a specific provision that deals directly with move-in. Because move-in and move out, if they moved in earlier than what the contract is, yes, they would be charged a move-in.

Mayor Lane: But they are allowed two days to move in?

WestWorld General Manager Brian Dygert: Currently. That is correct.

Mayor Lane: And that's in the contract. So they have ten years at about $4,400 to nearly half a million dollars that we won't be charging them?

WestWorld General Manager Brian Dygert: No.

Mayor Lane: I said enough at this point in time. Councilman Phillips?

[Time: 02:15:14]

Councilman Phillips: Thank you, Mayor. So looking at this total event invoice, 120, event revenue is 148, does that mean you made $28,000 more than you thought you would?

WestWorld General Manager Brian Dygert: Councilman Phillips, I don't know how to answer that one.

Councilman Phillips: Well, explain it then, the event invoice and the event revenue.

WestWorld General Manager Brian Dygert: The event invoice is the invoice that the producers directly is responsible for. That's the business relationship between the event producer and WestWorld, the operator. The total event revenue is all revenues that WestWorld is going to realize because of that event. There's about $28,000 of revenue that is not the responsibility of the producer and that came from indirectly, I guess you could say, once ATM commission. The nature of the event, there's a lot of cash being drawn from ATMs and we receive a commission on that. Two is our portion, 16% of gross unpaid parking which is vehicles not motorcycles. And the third is the 5% on gross sales of food. Those come from contract vendors from WestWorld that do not go through the producer itself.

Councilman Phillips: So did you say earlier that by doing this amended contract, we would be looking at maybe $18,000 a year more?

WestWorld General Manager Brian Dygert: Councilman Phillips, in the numbers stayed exactly the same in '15, the answer is yes.

Councilman Phillips: Okay. Is that including that extra revenue or would it be 18 plus.

WestWorld General Manager Brian Dygert: You could add $18,000 to either one of those numbers. It's not -- so anyways, it's 18,000 more or whether it came -- a portion of that is going to come through the producer because 69 alcohol sales. The other is going to be from increased R.V. sales.

Councilman Phillips: I'm not trying to give you a hard time. I think this is great in my opinion. I remember we talked about expanding bike week in the past, here's our opportunity to do it. And I realize you have to make a contract to do that. With the new Harley Davidson dealership and including motocross, I think this could be the Barrett Jackson of motorcycles. So I'm kind of excited about it. And I believe that the deal you came up with is probably the best one we'll get. Hopefully it will work out great for everyone this is what WestWorld is for.

So I will move that we adopt resolution 10298 authorizing agreement number 2015-013-COS-a1 with FX promotions incorporated to amend the rental of assets and terms of the original agreement.

Councilwoman Littlefield: Second.

Mayor Lane: The motion has been made and accepted. Councilwoman Littlefield, would you like to speak to your second?

[Time: 02:18:14]

Councilwoman Littlefield: Yes, actually, I had a question too. Before I speak to the second, I had a couple of emails come in to me regarding McDowell mountain ranch, and the noise and traffic that this can sometimes cause this event in that -- in that subdivision. I was wondering if there's any way -- any mitigating activity we can do to kind of keep the McDowell mountain ranch area more or less off limits to the noise and the traffic and the problems like this?

WestWorld General Manager Brian Dygert: Councilwoman Littlefield, one, that's a legal question that I won't be the expert on. Two, it has to do with licensed vehicles on public roads. But can we drive traffic in and out --

Councilwoman Littlefield: Through different ways.

WestWorld General Manager Brian Dygert: And the answer is yes.

Councilwoman Littlefield: That's what I'm trying to get to. Can we try to have the traffic flow move not directly in that direction?

WestWorld General Manager Brian Dygert: Councilwoman Littlefield, yes, we can. And that is exactly the stimulus of what does WestWorld want out of this? Ultimately we want increased revenue. It's really about if this event could encompass WestWorld, Monday through Monday, I don't have event compatibilities and now we can control all of those functions better. And so, yes, we can drive them through Pima and Bell and drive them west in and out from the west side much easier. That's exactly where we want to go.

Councilwoman Littlefield: Thank you. That would be my recommendation on this also. Thank you.

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

[Time: 02:20:01]

Vice Mayor Smith: Thank you, Mayor. Picking up on a line of questioning that the Mayor was bringing up, I think you are hearing probably some angst up here that as this event expands or as you move it -- you said bring it up top, up top, I guess means bringing it up close to the Equidome, the north hall, to the facilities, in other words. As we do that, we preclude the possibility of renting TNEC to another enterprise, and we are talking about essentially a ten-year period of time now during which the facilities in which we invested $50 million will essentially be unrentable. They conceivably would have been rentable if the bike week was being held down on the Polo feel or whatever, but as you bring it up to top, as you say, even if they are not paying rent for the TNEC facility, and not even in your mind using it, they are increasingly precluding its use by anybody else and then to kind of compound the thing, we are giving it to them the one day they do choose to kill it, we are giving it them at a discount off rack rate, if you will, and not charging them what we would otherwise charge any other producer for move-in and move out. We are giving to them at roughly half price for the day that they wanted.

I don't quite know what to say about this agreement, because I think it's -- we all want to see revenue the WestWorld, but mostly what we want to see is the utilization of the facility that we spent a great deal of money improving and climate controlling and everything else. And this seems to be at odds with that objective. With all of that said, are we missing something here or what do I respond to, that if you will?

WestWorld General Manager Brian Dygert: Vice Mayor Smith, no, I hear you loud and clear. I'm very aware of all of those things. We all are. What I could tell you is the one piece conceivably, because of the -- if bike week stayed back at its size of a few years ago, then from even a practical standpoint could we rent the TNEC and/or do some other activity on the east end of the property? And, yes, you could. From a very real practical standpoint now and in 2016, I will have two small horse things going on on the far east end of the property, not in the TNEC, but in reality, is it compatible? No, it's not. At all.

So where we need to move, one of two things, simply has to happen. Either bike week has got to grow and take all of WestWorld from Monday to Monday or bike week needs to find a different venue, so WestWorld can get on with doing multiple events. Horses, but it's not just horses. Compatible with the size of bike week, just because of the nature of it, it's an all day. You have a tremendous amount of in and out movement, because they spend their day riding all over the countryside with motorcycles and good for them, but it's that in and out all day long. And then they climax each day with a series of live music entertainment.

So the nature of the event is right at that spot, where it feeds to do between -- between us we need to cross that bridge. Yeah, they need to find a different venue that will serve their needs, including letting them control alcohol sales or we've got to be a part of that solution which increases the diversity of events here in Scottsdale and at WestWorld and it's large enough that it's also paying its appropriate share to encumber all of WestWorld from Monday to Monday and then the compatibility goes away and therefore we are not compromising anybody.

Vice Mayor Smith: Well, and I hear what you are saying and I guess I'm concerned, or maybe some others are concerned that, you know, if we really try to grow it so that it takes over the facility, whatever, we may be shooting ourselves in the foot in terms of what other opportunities may have been for the facility that we're really trying to fill up, but, I mean, I know they are -- it's an activity that's been here for many years. A lot of people love it. It brings a lot of people to the facility.

I do echo what Councilwoman Littlefield said, that I think noise and traffic and its impact on the neighbors has to be a consideration that we not only think about, but we really have to try to control. And you and I have had conversations also about lights at WestWorld, and I'm not yet convinced that we have given that the attention that it needs, because I still hear from neighbors that the flood lights are turned towards the residential areas and I don't know what the solution is here, but somebody on your staff just needs to make this a high priority to comply with our ordinances, as well as comply with whatever rules of good neighborly behavior may come to mind. Thank you, Mayor.

[Time: 02:26:02]

Mayor Lane: Thank you, Vice Mayor. Now, I still have the concerns I voiced earlier, and suppose even then some. I am very concerned about a very, very heavily discounted facility at the height of our in-season rates. I don't know who we charge rack rate for TNEC, if it's not into these circumstances. So I'm concerned about the term on top of everything else. It's something we wrestled with last time and if we are looking for growth, and we are looking for continued operation, the terms of this contract are already in place for ten years that will not see us, other than through some growth, but it's really going to be a -- it's as if it's a start-up situation. So I'm concerned about that.

I'm concerned about the escalator being reduced. I don't see what the thinking was behind that and I understand that somehow we squeezed out 4% on something that we -- well, on a book rate, we are supposed to get 30% of. So I'm concerned about that.

Last year was there an application by this event producer for TDC funds?

WestWorld General Manager Brian Dygert: Mayor, the producers are here. I won't be able to speak specific on it, but yes, to my knowledge that is correct, '15 and '16. Through the marketing program, as far as I know.

Mayor Lane: Do you know how much that was?

WestWorld General Manager Brian Dygert: I don't know specifics. Would you like them to --

Mayor Lane: Well, if they were recipients, if I might just get the number from them anyway.

WestWorld General Manager Brian Dygert: Sure. $21,000 for '15.

Mayor Lane: Okay. And the year before was it about the same? So $21,000 we are talking about. Okay. So on top of any discounts we have given here, $21,000 on that basis as well. I appreciate the effort in trying to restructure this, but to the point that I don't necessarily agree with those elements I just mentioned. The escalator being reduced. The contract rates and the small measure something on the one item.

General Manager Brian Dygert: That's Mr. Bennett. He's the president of FX promotions. The 5800 was that the TNEC in contract, again, it's about the north hall and the Equidome. But as he would engage the Equidome and the north hall per event day, that grows by 6800 per event day. That is dealt with and it's in the contract details. So as his event would learn how to engage or activate the Equidome from one day to five event days, because that's what he's sticking, with Wednesday through Sunday.

Mayor Lane: So paying for those additional days or --

WestWorld General Manager Brian Dygert: Yes. That is correct.

Mayor Lane: Okay. So -- and then paying eventually for move-in days, or no?

WestWorld General Manager Brian Dygert: Already built in.

Mayor Lane: It's built in as that growth. Right now they are not paying for move-in days but it's built into the price of $5,000 a day.

WestWorld General Manager Brian Dygert: In the simple terms of how you are thinking it, yes, that's correct. It's built into the base you see. The event days and the move-in, move out days are fixed.

Mayor Lane: So the rack rate of $7,250 to $5,000 really is $7,250 plus whatever move-in days are included? So it would be -- would you say $2,200 a day or thereabouts, approximately a third, so another 48 on top of the 72? So we are talking about somewhere around $12,000? So that's going for $5,000 a day for actual use. Okay. I got it! All right.

I think we have one other question on this and then we will probably go to the vote on this. Councilmember Korte.

[Time: 02:30:22]

Councilmember Korte: Thank you, Mayor. Brian, I just wanted to thank you for this tough conversation. Bike week has not necessarily been the darling of this council the last two years, and last year the contract was difficult and clearly when we moved forward with expanding that contract, we are going to get some tough questions and I think having not been at the table negotiating, I don't have the expertise of operating a facility hike this. I don't know what those market rates -- though I think that bike week, given this expansion now that bike week has this level of certainty to move forward and expand.

I look forward to that expansion because I think motorcycles are pretty cool for those that love motorcycles. I have owned a motorcycle before but that was when I was really young and stupid. Okay. No, I didn't say that. So with that, I call for the question.

Mayor Lane: All right. Thank you, Councilwoman. One other note and obviously this is something that for a ten-year period of time. So we've got -- and frankly to whatever analysis that took place, I hope it all comes to fruition in a positive way for that facility.

So we are ready then to vote on this. All of those in favor, please indicate by an aye and those opposed with a nay. The motion passes 5-2 with myself and Vice Mayor Smith opposing. Thank you for the presentation and Brian, in spite of anything else, thanks for the work you have done on this. I appreciate it.

WestWorld General Manager Brian Dygert: You're welcome. Have a good evening.

ITEM 6 – RECYCLING AND SOLID WASTE DISPOSAL SERVICES INTERGOVERNMENTAL AGREEMENTS

[Time: 02:32:34]

Mayor Lane: All right. We're now to recycling and item 6, recycling and solid waste disposal services intergovernmental agreement. We have Dan Worth our public works director in front of us. Welcome, Dan.

Public Works Director Dan Worth: I'm happy to present to you an item that is much less complex and frankly far more fascinating than either WestWorld event contracts or employee medical benefits. I'm here to talk about garbage.

The action that I'm going to ask you to consider is a pair of contracts. There are intergovernmental agreements with our neighbors to the east, the Salt River Pima-Maricopa Indian community. One is for the provision of recycling services. The other is for landfill services.

These are to handle the material that we collect through our municipal solid waste program, a little bit of background. We have had a single contract with the Salt River Pima community for 22 years now, since 1994. They have proven to be a responsive partner during that period of time.

One of the incentives that they have been more than willing to do is to consider and add services as we requested them and you can see on the timeline that I showed here, they added transfer services, as the city expanded up into the northern areas of Scottsdale. That's helped us to keep our costs down, is the transfer station that we built that they operate the haul-in service for. They added recycling services to the contract in 2000. And as I mentioned you to last week, we do get revenue from the recycling, that they provide and that is certainly going to be the subject of the contract that I'm going to tell you about in a little bit. But they have been responsive and it has been a mutually beneficial relationship between the city and the Salt River Pima community, just in my area in public works, we deal with the landfill.

We deal with infrastructure issues, storm water issues, street issues. We deal with operations of streets and a whole range of issues and this is just another piece of that cooperation that we have benefited from with the community over the years. The middle of the slide, about five or six years ago, 2009/2010 time frame, several things started to happen.

Number one, we started seeing requests for an opportunity from other providers, other landfill providers looking for an opportunity to bid on our landfill requirements. One provider, you may have heard of them, they sponsor a rather large golf tournament in the city. They approached us. They have a facility out in the west valley. They were interested in quoting us prices. We actually went as far as doing some sample runs with waste management, taking our loads out to a transfer station they operate out near the SkySong airport, to take a look at time, how much additional time, cost it would take to take advantage of that service. We looked at the cost structures they had available with other municipal providers, but really aside from the fact that we get a really good deal with the Salt River Pima Community, and it's hard -- Salt River Pima community, and it's hard for waste management or anyone else to beat it, Salt River Pima community is closer.

Aside from that, the existing contract had a provision in it that effectively prevented us from bidding out a portion of our volume to somebody else. The provision requires us to take at a minimum 90% of what we select to the Salt River Pima community landfill. We did have that interest and waste management takes a long-term view. They were willing to wait for an opportunity in the future if it presented itself. And we were interested in having a contract that could potentially allow us to bid out a portion of the volume. That was one thing that was happening during that time frame.

We also got some other entities that approached us, looking for an opportunity. Alternative energy providers had several different firms that were marketing innovative technologies where they were hooking to take a portion of our waste stream and using different technologies, establish a facility, most often at their cost to try to provide something of benefit to us, either electrical power or a fuel that we could use or that they could mark and we could share in the benefit from. Several of these technologies are approaching the point where it looks like they will be commercially viable and, again, we could potentially be interested in exploring some of those but we have that 90% provision in our contract. What we have essentially had to do in the last five or six years as the firms approach us, is steer them over to the partners in the community to see if they can work out a deal in the community. We are contractually obligated to bring 90% of our waste to Salt River Pima community.

The third item in that time frame, multi-municipality landfill study there. Was a thought at one point in time that we could pool our requirement with some of the other municipalities and we entered into an agreement with council approval at the time to talk with Gilbert, Mesa and Tempe to see if we could pool that requirement and leverage the volume to attract some better deals from -- from a range of potential landfill providers. All of that was happening around the same time and, of course, that generated a little bit of concern from our partners in the Salt River Pima community. They didn't want to lose our business. And we heard back at a fairly high level. We had some visits from the community president at the time, President Enos, and the message that they brought us was very clear. They stressed the long-term relationship that we had had, that this was a part of. They stressed their competitive advantage and the competitive advantage is real.

For us to get a better rate, they have to beat the rates that the community charges and they have to make up for increased costs that we would have for greater distances and greater wear and tear and more time to make deliveries.

They have to pay for that time distance equation for us. So they do have a competitive advantage and they stress their responsiveness. In particular, their willingness to accommodate us when we look for additional services and part of those discussions in 2012, we talked about our need for a longer term agreement. At that point in time, we had been extending this agreement in five-year increments and they actually demonstrated their willingness to be responsive to our needs and they made a community decision that they informed us of in 2012 to extend the life of their landfill to allow us to go to a 20-year extension instead of another five-year extension to get the longer term that we were looking for. So obviously we engaged them and had some discussions of how to meet their objectives. That culminated in June of 2013, the last bullet you see here, we actually had a joint -- one of our annual joint council meetings with the Salt River Pima community council and the city council where the landfill agreement was one of the major topics of discussion. We outlined a concept that we thought would be the win/win, that would achieve everybody's objectives, and that's essentially what I'm laying out in front of you this evening is a wear of contracts that has actualized that contract that we talked about two years ago.

Just to reiterate the objectives we were longing for long-term price stability, we can get waste management or public services or another commercial landfill provider that might give us attractive short-term rates, but if we do, that we run the risk of having long-term cost escalation to the degree that we could keep that under control, have predictable long-term rates, locked in, in a 20-year or longer agreement, that was one of the goals that we were looking for. It rates stability for our customers. If we can predict the rates we can minimize the rate increases that connect put in front of our customers.

We are looking for flexibility. I was talking about firms looking for an opportunity to bid. We had a contract that didn't allow us to take advantage of that. We didn't know what we would have gotten potentially, but if we have the flexibility to explore some of those other options we feel that that would be a long-term benefit to us.

The Salt River Pima community was looking for stable volume. Their landfill operation is an employment generator for the community. It's important for them to be able to predict the volumes and the stable operations, the stable level of the operations in the facility of the future. And the other option on the recycling side. They have a vendor that marks the commodities -- markets the commodities. The commodity markets for recycling have fluctuated wildly in recent years. And they wanted some insulation from those wild commodity value fluctuations.

So we both had goals that we were looking for and I'm going to lay out in the next couple of slides first on the landfill and then on the recycling agreement how we feel we have mutually accomplished those goals. First for the flexibility the communities agreed to reduce that minimum requirement instead of 90%, our minimum requirement on the landfill is 50% of what we collect from our residential program. We have to take at least 50% of that volume to the community. That leaves us with 50% of the volume that we could potentially if we feel the market is right, if we feel there are opportunities and if we feel there are technologies available, we can explore other alternatives. And the way that we have agreed on that compromise was an innovation that the community proposed.

The second bullet, you can see a sliding scale. We get a very good rate for our tipping fee, the fee we paid per ton for material that we delivered to the landfill, if we bring it all to them. If we get a higher rate if we bring less. So it incentivizes us, and gives us our flexibility to compete but it incentivizes us to bring 100% to the community. And as we stand right now, that's what we intend to do for the foreseeable future and I will point out to you, if you take a look at, that the way it works for every 10% decrement, if I bring 90% instead of 100% to the community's landfill, I get a 2% increase in the rate. So every 10% decrement, 2% increase. It incentivizes us to bring more. Someone has to beat that lower price to be competitive.

And if you take a look at the current fee, you can see it underneath that. The 100% rate which we anticipate paying, we don't see any change in rate. So we get a really good deal. And then the rest of it, C.P.I. escalator, that's the same as what we have now.

Another clause I think is very important, and another indication and the willingness to work with us, I call it the most favored municipality, if they give a better rate to another municipal customer, we get it. They will adjust our 100% rate to whatever they give to anybody else. So if anybody else is out there and negotiated a better rate with them, we get it. They have shown the willingness to do this in the past, actually in 2007, I brought an amendment to council for approval where they voluntarily agreed to give us a similar increase in our recycling revenue at that time to match what they provided to some of our other municipal customers. Again, their willingness to deal with us in good faith over time, which I think is very valuable. We have written it into the contract here. If they give a better deal to somebody else, we get it.

And the last bullet, of course, through the end of 2035, so essentially a 20-year agreement with two ten-year extensions. We get the long-term price stability that we are looking for and they get a guarantee of volumes for that period of time. On the recycling side, again we changed the requirement from 90% to 50%. If we feel the market has provided us other alternatives and opportunities we can try to take advantage of them. Again, as with the landfill, we don't see it out this right now but it gives us the flexibility to adapt if the market changes.

Noting revenue payment based on the commodity values, and I'm going to show you a chart that looks very complex but it's not really. We basically take a couple of key commodity indices and I will go right to, that actually. Not as complex as it looks. If you -- as it looks. If you start at the bottom. A couple of key commodity indexes. O.C.C., that's cardboard and this is paper. This represents the biggest volume and the biggest revenue when they take it to a commodity market and sell it. They have agreed to floors for those commodity prices. So in the market dips below these floors we are guaranteed a minimum. We don't end up having to accept a revenue payment that reflects a price lower than this floor. We are protected on the downside.

And then the next line up, they adjust for freight costs. They move most of this material to West Coast export ports and we adjust the commodity value for those coasts. The nest line up here, we adjust for their processing -- the next line up here, we adjust for their processing cost. Basically these two lines together, the C.R.V., the revenue value, the bottom line, the commodity value, adjusted for transportation, it's the revenue value. That's what the recycling stream is worth. The C.R.V. base is their cost to process it. If the recycling stream is their cost to process, it split the gain. You can see that in the top box. In the cost to process exceeds the value of the of the commodity stream, they take the loss. We don't share in the loss. Again, we are protected on the down side.

And another key floor you can see over here, the minimum share price is zero. Current commodity prices, you do the calculation based on the latest sampling we did so see how much of each commodity is in our recycling string, we get payment of about $8 a ton. When we talked about rates, I had a question of what the revenue is from the recycling stream. We generated about 25,000 tons recycling material last year, $8 a ton, and 200,000, I believe that's the answer I gave in response to that question last week. It's pretty much in line with our recent history. You go back a few years ago, and it's been way higher than that. One of the advantages, there's no cap on the upside. We are protected on the downside. If the market goes way below where it is now, and our provider starts feeling the pain and they need to come back to us and propose a lower floor price for the commodities or a lower market share price, it would require us to negotiate an amendment to the contract which we would have to come to you for an approval. We can approve it based on the mark or we can go out and compete and see if we have a better deal. We have the flexibility to do that, even before I come to you with an amendment. So we got protect on the down side. No cap on the up side, tide to the commodity values and it generates a revenue payment that is fairly consistent with what we have under the current regime.

So with that, I would be happy to answer any questions or provide any additional information.

[Time: 02:49:26]

Mayor Lane: Thank you, Dan. So we do have some questions here. I will start with our comments, Councilman Phillips?

Councilman Phillips: Thank you, Mayor. So in that chart, that sliding scale, if we take it to the 20-year contract, it was like 100% is like $1.20 less than we are paying right now. Do you know what that would be in the yearly savings?

Public Works Director Dan Worth: We are paying this tipping fee on about 60,000 tons. So the $1 savings times 60,000 tons. I would also point out that that is not the amount that we pay per ton for garbage that we take to the landfill. We pay a tipping fee and for a portion of that, we are also paying the Salt River community a transfer fee and you see that down in the second bullet from the bottom, currently we are paying 876 a ton. This resets that to $10 a ton. And if you do the math, for a ton that we transfer at 2440, plus $10 at believe it or not, it works out to exactly the same price with the current tipping fee of $25.64 plus $8.76. So we are not paying any more for a transferred ton. We are getting a cost break on tons that we haul directly to the landfill. The dollar amount in aggregate is not huge and I want to point out that the discussion that we had last week looking at the rate increase proposal for the commercial program and ultimately for the residential program, we based our forecast, based on the numbers in this contract.

Councilman Phillips: Okay. I want to thank you for making such a detailed presentation of our landfill agreement.

I will move that we adopt resolution 10358 authorizing the following agreements with the Salt River Pima Maricopa Indian community, number one recycling services agreement, 2016-022-COS and number two, solid waste disposal services agreement, 2016-023-COS.

Vice Mayor Smith: Second.

Mayor Lane: Was that Vice Mayor? Yes. Would you like to speak toward it?

Vice Mayor Smith: I would, Mayor. I think it is -- I too will express appreciation for the contract that you all have come up with. I think it's a good contract for the city, and it gives us more flexibility and longer predictability, but I would be remiss if I didn't say also I want to express appreciation to our neighbors, the Salt River Pima Maricopa Indian community. They have been great partners. Obviously they approached this with a spirit of continuing that partnership and I'm pleased that we will continue to have a relationship with them working collaboratively. Thank you.

Mayor Lane: Thank you, Vice Mayor. You know, certainly number one, develop good presentation. Thank you, Dan, and very good analytics on the entire thing and future looking as far as maintaining some of our potential opportunities as things change. I know that just about a year or so ago when we went through the negotiation with probably trying to put to go a collaborative group as you mentioned, but also their concern about the limitations on their -- and their commitment to expand their landfill. I think those are big commitments as to, frankly -- to be there to provide the type of trash collection and the dumping into their facility. So they have been a good partner and they have worked closely with us and we have depended upon that as well.

Nicely done, as far as looking at the costs, the -- the flexibility that we wanted to maintain, and frankly, keeping us in the marketplace with a good partner and always with the concern about the distance and they know they have that for us. I mean, as far as the proximity, there's always been a bigger factor for us too. So very nicely done.

But it doesn't seem like there's any other questions on this. The motion has been made and seconded. I think we are then ready to vote. So all of those in favor, please indicate by aye. Those opposed with a nay. Aye. Unanimous. Thanks again, Dan. I appreciate that.

ITEM 7 – FISCAL YEAR 2016/17 PROJECTED CAPITAL IMPROVEMENT PLAN

[Time: 02:54:08]

Mayor Lane: Now as he stands in place, the CIP guy, but the fiscal year 2016/17 projected capital improvement plan. Mr. Worth is here for that presentation.

Public Works Director Dan Worth: Mayor and council, in keeping with the less complex theme of the last presentation, I'm going to give you a very simple and easy to follow discussion of a very noncomplex topic our CIP budget. I don't see anybody agreeing with that assessment. We talked last on January 19th about the CIP. You gave us some direction during that presentation. You also gave us some additional direction during the operating budget discussion that we had a week later. And I want to point out the three major items that we have added to this presentation, or the three changes we made to the presentation, one is the change to how we present our five-year CIP forecast. I know I created some confusion last time. We have gone back to the format that we have used in the past.

I will talk you through this. I think the numbers add up and you can see how one year feeds to the next. So we hopefully responded to that concern. We have added a detailed list of unmet capital needs but on the general fund side and on the transportation side. And the direction that you gave to us in the operating budget discussion was the direction to phase over three years a transfer of an amount equal to the amount that we collect in sales tax revenue from tax on groceries into the CIP and we presented to you in that five-year forecast slide what that looks like in terms of revenue and what that would mean in terms of projects to add to the CIP All three of those items will be addressed.

This slide is essentially the same as the one that I showed you in January. This is current year.

Mayor Lane: Excuse me one second Mr. Worth. Vice Mayor Smith has a question or a comment.

Vice Mayor Smith: To the third bullet, I think the truth of this is, it's just the food tax that would otherwise flow into the general fund? Is that correct? Was that our instruction and is that what have you done here?

Public Works Director Dan Worth: Mayor, Vice Mayor, that's what we have done here. We didn't address the food tax that would be collected for other increments of sales tax.

Vice Mayor Smith: For anybody watching, I wanted to mention that this is a food tax would otherwise flow to the general fund.

Public Works Director Dan Worth: This is a projection of current year, what we anticipate spending and you can see at the bottom with those programmed expenditures, the current year CIP, ending year of $23.3 million and that's what carries over into the top of the first column on this slide. The way this slide is set up now, the top row is that beginning fund balance, 24.3 million for fiscal year '16/17, based on this year's anticipated expenditures. We have the revenues that we anticipate adding to that amount to give us a $29.8 million revenue. We have the budgeted amounts. This is amounts that are currently budgeted for '16/17, plus the amounts we anticipate being unspent from this year's CIP that get rolled over, unspent amounts from the current year CIP get rebudgeted for the following year until the project is completed. Then the bottom line, the blue line is the sum of all of those budget amounts. The red line, I apologize, small numbers. Probably not the most easy to read number, this is a negative $14.3 million, that is comparable to the -- we anticipate spending $6 million this year.

Current cash flow projections that's the 1.3 number, down in the second row from the bottom.

24.3, and these numbers is 29.8, minus 14.3 and 15.5, that goes to the following year. You carry that through year to year, and that shows our anticipated expenditures and then these numbers are the additional budget authority for each of those individual years. Currently in or proposed to be added to the CIP, and you get this situation, you look at the out years and you are three, four, and five, and actually, years four and five -- no, three, four and five. We actually have a higher number on the expenditures than we have on the total budget authority that's correct and that's possible because when we get to fiscal 2018/19, we will roll forward all the unspent and that will be greater than $7 million total budget authority. So the cash flow is based on how much of that budget authority we anticipate rolling forward each year. So if you are looking just at the cash beginning balance, the cash in, total cash to work with, expenditures, end of year balance, those numbers all match up.

The other thing I want to point out on the slide, well, two other things actually. In addition to that format change, which hopefully makes it a little easier to follow, here's the line that we added to represent the transfer of an amount equal to the general fund non-transportation, non-preserve sales tax revenue we collect on groceries, phased over three years, the first year 2016/17, it will be 2.5 million, 5.2 million the second year, 8 million and then with no further direction on how long we plan on doing this, we carried it forward. Of course, that's subject to discussion but roughly 8 million escalated and concordance with our sales tax revenue escalation year over year, but roughly that $8 million level.

And then what that has allowed us to do, three projects that were not included in the project list, in January when we talked to you, number one, and all three projects come off of the proposed bond list that didn't pass high priority needs. Still valid needs for the city. The data resiliency city for the I.T. facility, and I will point out that the $4.9 million that we programmed for fiscal year 2016/17, that particular project also has a pretty significant operating component that we have to consider separately as part of the operating budget. I think it's about $900,000 of an annual operating costs, upon the completion of that project and that has to fit within our operating budget. We got to have both the money to build it and operate it before we can fully recommend but just looking at the capital program, it's the next thing on the priority list. We pull it forward on the list.

The number two item that we pulled forward, the second line from the bottom, renovate Vista Del Camino Park and Indian Bend wash, this is some park building replacements and improvements in the wash. Landscape areas, the drainage, this is the same project that we had included on the community services bond question. And notice that we don't have it included in fiscal year '16/17. We have to put it into the budget in the five-year plan, where we think with the increased revenues we're going to have the revenue to actually pay for to it. So that goes in the second year.

And then the third project is out in year four and year five, that's from the public safety bond question, the expansion, the renovation of the civic center jail and police station, and those are the three projects that if we take those off the standing priority list. A lot of projects and small numbers. I apologize for that.

Just some high heights, this is the result of the prior it -- highlights this is the result of the prioritization process that the staff goes through every year. We take submissions from each of the departments. We have review teams, technical review teams that review the project budgets and ensure everything is included that ought to be included and they are developed sufficiently to be able to consider them for a capital project. We go through a department head level review to prioritize them based on the criteria that we have set forward in the CIP that you approve every year, our rating criteria. Same criteria that you use to evaluate the programs and the bond question a year ago. We go through that process, bring it to the city manager. The city manager goes through his review, and then this is that integrated list.

I have highlighted the remaining projects that are still on this list with the b. Those are projects that were on that bond list that didn't get funded. Still unmet capital needs and you can see some other projects in here. And I will just point out the first two. Scottsdale Stadium safety repairs and maintenance. Safety issues at the stadium and we're spending a lot of operating money to address those now as a matter of fact. I spent a day myself out there pulling out pavers and replacing them with one of our facilities crews so people can watch baseball games without tripping and hurting themselves. This addresses that and other similar issues. Safety is one of the criteria for brings them to the top of the list.

Rawhide wash and flood control, this is a project, an alternative that has come out of the analysis that the flood control district did on the Pinnacle Peak west drainage master study that they have been doing. One of them was a $26 million project this represents the city's proposed match seeing the flood control district participation to get that project don't protects properties and infrastructures in the Reata pass area.

And in summary, before I get to the summary, two other slides, just to throw another twist. We talk about putting money into the capital improvement project and bringing new facilities and we invest money in our operating budget and we have this discussion every year. We wanted to highlight some of that here. These are requests that you are currently being considered separately. I think all the ones on this page came out of public works out of the facilities department. We get requests from other departments as well. The playground equipment replacement and the pool maintenance equipment replacement and self-contained breathing apparatus, the fire department requirement for a large system that needs to be replaced and street ops at the bottom of the list and several other departments and other funds that make operating budget requests. They are all being considered separately for available operating budget funds just ask that you keep in mind as we talk about alternative fund sources for the CIP, one of those is unreserved fund balance and unreserved fund balance is also what we have often used in the past to address some of these needs, these one-time needs. So we are spending the money on both sides on operating side and on the CIP, hence that level of complexity. Some of these are obviously going to hopefully prevent the need for future CIP investments. I would point out the roof coatings, the intent there is to prolong the life of an asset that we would otherwise be replacing in a future year CIP request. But that is part of the dynamic.

Here is the summary slide. It's the total budget, $75.6 million. The unfunded current -- the current unfunded needs list, $87 million. Slightly more than the budgeted a.m. and then we are back to the discussion we had in January, the potential sources that we can turn to, to meet that need and, of course, going back and asking for voter approval of a bond is always part of the equation. The unreserved fund balance is potentially part of the equation and then two items that you discussed during the operating budget discussion and you tied that to the capital budget discussion that we are having tonight, the potential of going back and getting some of the 2% allowable by statute property tax levy increase, and -- well, we properly briefly talked about the grocery tax proceeds. All potential sources. And we added the grocery tax at this point, but you may decide to apply that somewhere else.

I still haven't shown you the transportation slides. That are the funding sources that present themselves to address the $87 million shortfall. I can go right into the transportation.

[Time: 03:09:25]

Mayor Lane: You have one question or comment from Councilmember Korte.

Councilmember Korte: Thank you, Mayor. Clearly we have an issue with unmet needs, unfunded projects in the capital improvement projects. The capital improvement line items, the last couple of months we have talked a lot about downtown, our tourism folks, our talking about downtown as being a core to our tourism industry and supporting that tourism industry. I don't see anything in here that supports our downtown, whether it's lighting or whether that's sidewalk improvements or pedestrian safety issues. Can you speak to that at all, Dan?

Public Works Director Dan Worth: Mayor, Councilmember Korte, there was a proposed bond project for downtown pedestrian improvements. That is -- was in the transportation question. That will show up as a currently unmet capital need on the transportation list that I'm coming to. Also, on the unmet capital needs, and this -- the short answer to your question is they are not on there. We've got a couple of downtown specific projects on this unmet need list. I would point to two, downtown lighting and street outlets, to enhance the downtown lighting and address the festive lighting. That is actually a -- a somewhat scary and temporary array of lighting that's not been installed to last and to operate properly. And this project represents the funding needed to fix that. We feel it's a vital need in the downtown, losing that portion of the downtown. That's a specific downtown-related issue.

The other one that with you don't see on here that we are working on, they will have a discussion with you in a couple of months. If you remember in December, we talked about a downtown tourist-related facility. You gave us some direction to take a look at master planning the civic center mall improvements and the civic center mall improvements are on the funded list. We have a master plan that we funded in the current CIP We are taking a look at that effort, as long as -- as well as the possibilities of -- there's been a proposed tourist-related facility on 5th avenue, a proposed alternative location at Loloma and we are working with that with a cross departmental team. That is not represented on either of the lists, either the proposed project or unmet need list. That's potential -- if there's a project that comes out of that, that has yet to be priced and added to the unmet needs list.

Councilmember Korte: Thank you. And I'm one voice out of seven, though I would like to seat downtown lighting move from an unmet capital to some type of funding and if there's some reordering of the priorities. I really believe we need to start paying attention to our downtown and making some improvements there.

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

[Time: 03:13:35]

Vice Mayor Smith: Thank you, Mayor. And before too much air time elapses, I would certainly agree with Councilmember Korte, that I think I would express now two opinions that there ought to be a high priority for reinvestment of downtown, whether it's this lighting project or whatever it is chosen to be. This list here, which totals $87 million is -- it's called unmet capital needs. Would it be fair to say that this is sort of a backlog of identified items?

Public Works Director Dan Worth: Mayor, Vice Mayor, a lot of these backlog. A lot of these have been requested in the past and we haven't been able to generate adequate funding for them. Some of them are new needs, new needs are emerging.

Vice Mayor Smith: And I think the message I would like for anybody who is listening to understand is that $87 million is not -- well, I don't know what time period this is over. I don't think it's over necessarily any future time period, if it's the backlog of things that we have already identified. My point is that if we discuss this next year, there may be some that are have been met but another added 20 million. I'm not asking to you predict, but this is not -- I would not want this to be construed as what we need for the next five years or anything like that.

Can you talk to the point that I'm stumbling around to express?

Public Works Director Dan Worth: Vice Mayor, absolutely. This is a list of projects that was provided -- submissions by all the departments, all the operating departments in the city to identify the needs think wish to have included in the current five-year plan. I will caveat that by saying that the department submitted that list knowing full well that we had limited budgets for the next five years. So they pared down their appetites. When we asked them to give us their unmet capital needs two bond elections ago, we had a list that was ten times this. It was over $1 billion that we identified and discussed and worked through our task force process. This represents the highest of those high priorities and then such things as departments still are important enough, given the pessimistic attitude. It's not comprehensive. If you buy this in the next five years, you have met all of our needs list. This has already been through the scrutiny of paring it done to what we really need.

Vice Mayor Smith: And the combination of this $87 million of unmet added to the 75.6 million in the previous slide that you at least at this moment think you have got funding for, you said was a total of 162 million, if we put that in over the next five years it will be roughly $35 million per year of investment over the next five years. And maybe this is a question to the city treasurer, if you invested $35 million a year for the next five years, if somehow we could come up with this money, would the city's net depreciable capital assets, increase, decrease, stay about the same?

City Treasurer Jeff Nichols: Mr. Mayor, Vice Mayor, I would need to be look at the CAFR. I believe in the general fund if you create that to what we are depreciating our current assets and the rate that they are depreciating at, that wouldn't be significant enough investment to have a net increase in our capital assets. Would you see a decrease overall.

Vice Mayor Smith: And maybe in fairness, maybe I need to ask that question after we have the discussion of the transportation fund, because I guess transportation assets and general fund capital assets are all in the city's CAFR and depreciation and whatever. But keeping in mind in total, the depreciable assets waste away at $100 million a year, I think that's the recorded number in the CAFR. If we put all of this stuff in, it adds $30 million. So we anxiously await the other 70. Thank you.

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

[Time: 03:18:41]

Councilwoman Milhaven: If you can go back to the slide that shows the five-year plan. And can you explain the difference between the total expenditure budget of 20.9 million and the total estimated expenditures. I'm not sure I understand the difference in these two numbers.

Public Works Director Dan Worth: These are by nature -- many of these are projects that take two, three or more years to complete. We don't start the project or award contracts until we have the funds programmed in the budget, current year or out years to complete the whole project or to complete the whole contract. But some of them take multiple years to complete.

So as an example, I have got the $6.4 million here for the granite reef watershed. We may spend 2 million this year. And then the balance of that budget authority will get reforwarded or rolled forward and rebudgeted for the following year. So it's zero when we get to 2017/18, we will actually have a number in it. Whatever I didn't spend out of that budget authority this year, gets rebudgeted until we are done with the project.

The number down here, 14.3 is based on our knowledge of the projects and the things that have to be done and where we are in the milestones for each individual project, that's our best estimate of how much we're actually going to spend. If it's 2 million on this, we go through the same calculation on everything else in the CIP, and how much we actually anticipate we are going to spend that year. That's what generates that 14.3. That's why it's less than the total budgeted authority.

Councilwoman Milhaven: So you are given authority to spend $20.9 million but you are saying your best guest is you are only going to spend 14.3 in the coming year?

Public Works Director Dan Worth: My best guess is that we will spend all of that 20.9 on all of those projects if we have one that finishes below budget, we return that budget authority. We don't expend it, but for the most part, we spend that budget authority. We get those projects done. We are just not getting them all done that year, what doesn't get don't gets rolled forward.

Councilwoman Milhaven: So 14.3 is what you think you will spend forward and the difference, the 6 million you are saying you are going to spend it in the out year?

Public Works Director Dan Worth: Correct.

Councilwoman Milhaven: Okay. So last year, we approved $5 million for the granite reef watershed. So does that mean that the total we authorized is 11.4?

Public Works Director Dan Worth: That is the total unspent budget authorization for next year. Off the top of my head, I think the total general fund is $7 million and there's some bond 2000 money that was allocated for storm water that's part of that project. But this is not an increase. This is what we project to roll over. We are not asking for and increase on the Granite Reef watershed.

Councilwoman Milhaven: So when we last discussed capital improvements you made a comment that there were other projects that were already authorized that were not included on this list. Are you saying this now includes all authorized projects that still have -- that we're still spending money on?

Public Works Director Dan Worth: We -- I think we lumped a couple of smaller projects to go but they are represented. Everything that's in the current CIP, plus what we anticipate, subject to final approval, of course, and adding to the CIP is represented on that chart.

Councilwoman Milhaven: So there are no other previously authorized projects that are not represented here?

Public Works Director Dan Worth: Correct.

Councilwoman Milhaven: Okay. And then last year, we had an expenditure budget of 16.7 million, but based on the previous slide, it looks like we only spent 6. Why would we only spend 6 if we had authority for 16?

Public Works Director Dan Worth: Same thing. We had the previous year, that total that we approved for this year, when we went through this process a year ago, we were projecting 16, based on new requirements that we're adding, which were pretty minimal and based on rolling forward an unspent balance from the previous year and taking a look at that total 16, I showed you a similar chart last year. Historically we end up spending somewhere in the neighborhood of 60 to 75% of budgeted authority. And years ago we would use that number as our estimate for cash flow. We have honed that in and tried to do it on a project by project basis. We are trying to stretch every dollar. We want to get some really high level resolution on what we are actually going to spend. And our estimates have shown to be very accurate the last few years. But you see the same thing every year. We told you, you have $16 million of budget authority every year. We will spend some portion of that. We will spend something less than that. That's just the nature of the project, the multi year nature of the capital projects.

Councilwoman Milhaven: When I look at that -- thank you. When I look at the capital budget spend, when -- so we have a lot of projects that are still open that looks like we spent most of the money. At what point do you decide that you are going to close those out.

Public Works Director Dan Worth: We close them out when we spend all the money. We are actually proposing this year to -- and we have done something similar in past years, where we have rebudget huge amounts of money. We have seen this in the water resources CIP, actually, where we were rebudgeting years past that we had spent and it looked like a lot of money in the CIP. We came up with a process to draw a line and terminate that and budget new money. We are doing the same thing this year. We anticipate doing that with, I think, the SkySong budget was 30 plus million dollars. And we have $300,000 piece for public art that is a remaining requirement. We will transfer that to a new project and get the old one off the books.

Councilwoman Milhaven: So is that $300,000 on top of that number?

Public Works Director Dan Worth: I think we are showing that. It's $400,000. SkySong, either way that's the $400,000 out of the original $40 million budget that we haven't spent or if we do the change, and create a new project for $400,000 and get rid of the old one, either way, that's all that would show up is the $400,000 that we haven't spent. When you are looking at the budget book, that still shows a $40 million project and we will get rid of that.

Councilwoman Milhaven: I still object to the idea of reallocating the equivalent of the food tax revenue. We still haven't identified what that means to our general fund, what that means for services and so I'm -- I'm not -- I'm still not comfortable with the -- that direction, especially given the conversation we had about health benefits, as we are trying to -- I think we are burning the candle at both ends. So I'm not -- I'm not comfortable with that. So thank you.

Mayor Lane: Thank you, Councilwoman. Well, this is an item for -- I'm sorry, moving on to transportation. Yeah.

[Time: 03:26:28]

Public Works Director Dan Worth: Very similar presentation. This slide shows what's on the books this year. Money that we anticipate spending against those current year budget authorizations, and the bottom line of that chart, $19.3 million after our expenditures this year becomes the top line on the chart for fiscal year '16/17. We haven't added any new revenues here, grocery tax or anything else. These are the same revenues adjusted with current forecasts and we adjust them upward. The finance department has adjusted them upward slightly.

We also adjusted our cash expenditures down at the bottom, based on our expenditures that we're seeing year-to-date. We are halfway through the year and we are spending in some cases at a lower rate than we had forecasted on the transportation side. So when we adjust those cash expenditures it actually gives us a greater end-of-year cash balance, we will eventually spend that money, but our cash balance improved, because of that adjustment, and the one change that I made on this from the transportation slide that you saw on January 19th, fairly minor, but we have a series of projects here.

The annual funding projects, trails, bike lanes, and sidewalk improvements, transit stops, neighborhood traffic management, intersection improvements we allocate funding every year for those programs and then we use it to address specific project requirements that come up from year to year. We had anticipated increasing the levels. We decreased them last year. We are going to bump them back up to where they have been historically. We were going to wait a year to do that but because of the projections I just mentioned to you, the increase from the cash balance at the end of fiscal year '17/18, we won't wait a year. We put them back up at the historic levels so we can keep those programs funded. That's the only change relatively minor. We are just able to do that in the coming budget year. Other than that, everything remains the same from what we showed you in January.

Similar to the general fund, this is the list of the unmet needs, the top three are all items that were on the transportation question that the voters did not pass, downtown sidewalk improvements I mentioned, response to the earlier question. Hayden and Chaparral and McDowell road bike lines. I have some mentioned with a d and I mentioned these to you in January, if you look in the current CIP, they are there. We made a prioritization decision and deferred them, the d is deferred and that also allowed us to bring in some of the projects that we brought into the proposed transportation CIP

[Time: 03:29:41]

Mayor Lane: Excuse me, Mr. Worth. We have a question or a comment from Councilman Phillips.

Councilman Phillips: Thank you, Mayor. I wanted to go back to that last slide but before we do that. Oh, go ahead.

Public Works Director Dan Worth: Which one?

Councilman Phillips: You've got in there, happy valley, Pima and Alma School. It looks like $4.8 million over the next two years?

Public Works Director Dan Worth: Correct.

Councilman Phillips: I thought we weren't going to do that.

Public Works Director Dan Worth: That was one that was on the bond list that didn't get approved by the voters and when I gave you the presentation in January, that was the one project that given our current projects pulled it off the top of the priority list. It was the one that was ranked at the top of the list and we felt we could recommend bringing it forward and putting it into the CIP

Councilman Phillips: I wouldn't agree with that. In fact, there's already one developer that's already widened about two block area of that road. So if we just let the developers finish it, it might be a lot less for us. I'm not sure how much you are including in that, if you are putting a roundabout at the end of Alma school and happy valley or if that's included in it or traffic light or what you are going to do there.

Public Works Director Dan Worth: The estimate for that project includes the intersection. It will be part of the development of the project. The project amount is the city's share, this is MAG arterial life cycle project, that $4 million gets 6 plus million dollars of county funding added on top of it to complete the improvement to the whole stretch from Pima road to Alma school.

Councilman Phillips: Okay. And then one of the items that did get approved was road improvements where does that show up on here? Or what would it cover that would be on here?

Public Works Director Dan Worth: The issue that the voters did approve was $12 million for overlays that the major high level asphalt treatment, where we actually repaved the top inch plus of a roadway adds 15 or more years to its projected life. This is funding that we had budgeted last year. We went to this amount, $6.6 million per year of our transportation sales tax funding for the pavement overlay program, and the bond question was positioned as this $6.6 million a year was the amount of funding that we needed to maintain the condition of our asset citywide at the level that it had deteriorated to, since 2009, when we started reducing the level of funding that we were putting into our pavement maintenance program. It's steadily declined from the level it was in 2009. 80 for P.C.I. down to about 72 if you want to use the technical terminology.

Councilman Phillips: Right, but I believe that's what the voters were thinking when they approved that was to take care of that. We talked about we are paying for it anyway and then we are going to add on top of it.

Public Works Director Dan Worth: What we are paying for here is to maintain it at that lower level. What we positioned the bond question for was to bring it back up to where it used to be. So bond approval, bring it back up to where it used to be, if we don't keep this funding in, then we're back to just maintaining it at the degraded level.

[Time: 03:33:29]

Councilman Phillips: Okay. Can you go to the next slide then? And what was this on this one oh, Jomax Road east of Pima. What is that for?

Public Works Director Dan Worth: I think I would have to --

Councilman Phillips: Are you going to widen Jomax Road? I think I have to defer to the transportation department who is sitting over here grimacing.

Transportation Director Paul Basha: Mr. Mayor, members the council, Paul Basha, transportation director. The portion of Jomax Road immediately east of Pima road has long been within our capital improvement program. It is a substandard roadway that needs to be improved to standards.

Councilman Phillips: Okay. And that's not part of the 6.6 million overlay that we do every year, just to maintain and it's not part of the bond program that the voters passed?

Transportation Director Paul Basha: Councilman Phillips, the overlay program is to apply new asphalt service to existing roads. It doesn't get us any capacity increases. It doesn't widen anything to meet current standards. It doesn't expand intersections to increase capacity. It's simply taking the asphalt that exists on an existing road, and removing degraded asphalt and putting new asphalt down and extending the life of that asset.

Councilman Phillips: So the Jomax Road improvement, you are talking about widening it. I mean, how are you improving it?

Transportation Director Paul Basha: That's correct, councilman, it would, widening the road.

Public Works Director Dan Worth: The description we have in our database from the actual request is to design and construction Jomax Road to a local collector street cross section that's bringing it to a specific cross section and geometry that's laid out in the transportation plan that's required for that level of a street. It doesn't mean those levels now.

Councilman Phillips: Okay. Thank you.

Mayor Lane: Thank you. Councilwoman Korte.

[Time: 03:35:37]

Councilmember Korte: I'm one voice of seven up here and when we go down to the unmet capital needs which your slide is there, we have downtown sidewalk improvements and we go down a little bit and we have second street bike path connections. I believe that those are important enough to support not only the heart of our city and downtown, but our tourism industry and our merchants in all of downtown to prioritize those up into next year's budget. And maybe we just need to live with some potholes here and there. I'm not sure. It just seems to me that there are many needs in our transportation CIP that are critical, and, yes, payment overlay is important and I'm just wondering whether it's that important to spend that kind of money every year.

Mayor Lane: Thank you Councilwoman. Councilwoman Littlefield.

[Time: 03:37:01]

Councilwoman Littlefield: Thank you very much, and for what it is worth, I agree with Councilwoman Korte. I think that some of the needs are more important than the maintenance of those roads. It's hard to choose because we have an awful lot of them.

I have a request regarding the tent removal back on the regular unmet capital needs. We had discussed that up here, and it was kind of left that we might be using that over the next couple of years. So would that .7, or $700,000 that you have budgeted in here for the WestWorld tent removal, would that just continue to be moved out year after year as we -- if we didn't do it until the time came when we had to do it?

Public Works Director Dan Worth: Mayor, councilwoman Littlefield, the short answer is yes. We are preparing to bring a proposal to you in the near future that would allow for the possibility of keeping that tent for one or two more years, depending on some certain conditions being met, but that $700,000 cost for when it eventually goes away doesn't disappear. We would just move it to the right.

Councilwoman Littlefield: But that might not be an expense that we would over the next year for our capital?

Public Works Director Dan Worth: Correct.

Councilwoman Littlefield: And then I had another question on the Grayhawk off leash dog park, the northern dog park. That was not put on the bonds. I think that was pretty unanimous for us up here that we did not consider that to be one of the most critical issues and I was just noticing that it's here again on the general fund unmet capital needs. Can you tell me why that is considered to be one of the more important items?

Public Works Director Dan Worth: It may not be the highest of priorities but it is still included in the community services parks master plan and it's still an amenity that people who live in that area and use that facility care about. And I'm sure the parks department still hears about it. So it's still on the list, although as you pointed out, it's -- it's not at the top of the list.

Councilwoman Littlefield: Thank you. I think that we do need to pay a little bit more attention to the downtown upkeep and maintenance of that area, the merchants down there, the sidewalks, the cross streets, those I think have a higher priority. Thank you.

Mayor Lane: Thank you, Councilwoman. Councilwoman Milhaven.

[Time: 03:39:48]

Councilwoman Milhaven: I want to revisit a conversation about the happy valley segment between Pima and Alma school, and while I understand Mr. Worth, you are saying there's matching money to help get that project done, not only did that bond question fail, but it failed in the voting district where this road segment is located. So I am hard pressed to spend $5 million of our scarce capital resources on a road segment where the people who live in that voting district voted no for the question that included that road segment.

So I would like to make a motion that we delete the Happy Valley Road improvement between Pima and Alma School from the CIP budget.

Councilmember Korte: Second.

Mayor Lane: In that I believe we have -- this is an action for guidance, is it not on this item?

[Off microphone comments]

Mayor Lane: Discussion and possible direction. Generally speaking, the only thing I would do is change that motion to a guidance issue, or --

Councilwoman Milhaven: I would like to make a motion to direct staff to remove the happy valley road segment between Pima and Alma school from the CIP budget.

Mayor Lane: Okay. And is the second okay?

Councilmember Korte: Second.

Mayor Lane: Would you like to speak toward it at all?

Councilmember Korte: No.

Mayor Lane: Mr. Washburn.

City Attorney Bruce Washburn: Thank you, Your Honor. I wanted to make it clear one more time that this is a direction to staff and this is not a final legal binding action. When the CIP comes back for the final approval, that that be removed.

Mayor Lane: Very good. Did you want to speak towards this?

Councilmember Korte: I will wait.

Mayor Lane: So the motion is on the table and it has been seconded. I think we are ready to vote since there's no further comment on that item. All of those in favor, please indicate with an aye and those opposed with a nay. The motion passes 5-2. So okay. Now I believe we clear the screen, we will go back to Councilwoman Klapp who had a question or a comment.

[Time: 03:42:11]

Councilwoman Klapp: Just a couple of things. I guess one would be the conversation about downtown. I agree it's important that we try to fund some of these downtown projects but I realize we have a lot of other important projects on the list too and I don't really know the best way to prioritize what's the most important. On this unmet needs list, is this in priority order or is this just a list.

Public Works Director Dan Worth: Councilwoman Klapp, that's in priority order. That reflects the priority after it goes through the city staff and the city manager's screening process.

Councilwoman Klapp: Well, we will have an opportunity, hopefully, at the end of this year, to have some money possible to be put towards some of these other items that are on the unmet needs list. So if we have decent priority order, then we should be looking at those items at the very top, if there's some unreserved fund balance to do some of these projects. So that some of these can be taken off the list.

But related to downtown also, in my conversations with merchants, many of the things that they are asking for are not capital items. They are just asking for basic maintenance. They are asking for painting and landscaping and just fixing the place up a bit. I wanted to emphasize that making the place look fresher is on their minds and in their conversations with me, even more than replacing sidewalks and those things that they just want to have some improvements done that would have to come out of the general fund and not necessarily out of the capital budget, at least in my mind some of these things are maintenance items. Maybe a few of them are really capital items.

But, you know, if there is -- if there is money in the actual budget, which isn't part of this, but out of the actual operating budget for some of those items to improve the downtown, I certainly would emphasize that. It's not necessarily a part of this, but it's a part of the whole budget that I think we need to be looking at to try to -- you know, we don't want things to deteriorate to the point where paint is, you know -- is nonexistent on some things that are in the downtown area and that's painting to me is just maintenance.

[Time: 03:44:44]

Mayor Lane: Thank you, Councilwoman. Councilman Phillips.

Councilman Phillips: So I would say with that then, let less make the motion to direct staff to raise the level of priority of the downtown projects.

Councilwoman Littlefield: Second.

Mayor Lane: The motion has been made and seconded. Would the second like to speak toward it?

Councilwoman Littlefield: No.

Mayor Lane: Okay. Then I think we are ready to -- the motion was to raise the priority. I'm not sure exactly how that translates necessarily but nevertheless, raise the priorities of the downtown projects. I think we are then ready to vote. All of those favor indicate with an aye, and those opposed with a nay. The motion passes 6-1. Okay.

No further questions.

Public Works Director Dan Worth: I have two more slides on the transportation side. One addresses a comment that I made in the January meeting about, among other things our level of transportation funding posed a risk as we get into the years beyond our five-year plan of not being able to generate the funds that we need to meet our local match that are programmed in the MAG arterial life cycle program. What's happened and this slide is intended to elaborate on that. I know there were some questions on that. What happened, as we go through our annual CIP process, if we have the funding to meet the local match on a MAG life cycle process, we include it. If we don't, we go back to the MAG review process that goes on at roughly the same time that we are developing our capital project. If we do have a local match and if we can't get it in our budget, we will defer the MAG project to the out year. We have a five-year capital plan. They have an investment plan that goes through 2026. It's published, if you take a look at the current published P.A.G. arterial life cycle plan.

You take a look at your 2019/20 that would represent the year outside of our five-year plan two years ago in our '14/15CIP which we used last year to update their regional arterial life cycle program to take a look at that year, it's got this, $24 million of local match that we haven't identified the money for, to get 24 plus 56, $80 million worth of projects. So that's what we are at risk of losing. It's not near term. It's long term. But these are projects that get deferred year to year, if we don't have a local match to bring some of them forward into our five-year CIP and I just wanted to provide some resolution on that, so you knew exactly what we were talking about and you can see what some of the projects are. They were programmed years ago, 2004, when the voters countywide approved Proposition 400. This was the plan that existed at that time, that we built that around.

It's subject to changes, especially in the out years. A lot of these things had to be updated with updates and changes to our master plan but this is the list of projects that's currently outside of sight, where if we don't come one our $24 million, we run the risk of losing out on a significant chunk of money that our residents are already paying into the MAG countywide arterial life cycle program. I just wanted to give you some resolution on that.

So the summary slide –

[Time: 03:48:54]

Mayor Lane: Excuse me one second, Mr. Worth. Councilman Phillips.

Councilman Phillips: Can you go back to that? So could you tell me how that works? I mean, you got Pima, Dynamite, and it goes past $21 million that MAG would match if we put in $9,000. Why does MAG care about Dynamite to Stage Coach Pass? Where do they allow what money they allocate to which street?

Public Works Director Dan Worth: It's a planning process that all the different municipalities and agencies go through with MAG. They went through a long-range planning process to develop this multi-arterial process in 1994. That supported the Proposition 400, the request for the sales tax increment. Arterial streets. It focuses on arterial streets. The arterial streets usually have a benefit over a broader area. They move traffic from one community into another, and it's appropriate for county level funding.

It's not a place where we focus a lot of our transportation sales tax and our locally generated money, although the intent is there's a regional need and a local need. That's why there's a regional funding and a local match and lacking bond funding or some other funding source that we haven't identified, the transportation sales tax that we collect is all we have got to meet that local match. Some of these projects, the Happy Valley project, we put on the bond list to generate something other than the transportation sales tax to meet that legal match. As we move forward and these get closer to us and we want to get them built and get them programmed or if our needs have changed and we want to reprogram them to something else, there's a process that we would go through with MAG to be able to do that driven by the master plan that the transportation department is working and preparing to bring to you.

Councilman Phillips: There's a way to reallocate.

Public Works Director Dan Worth: There's a way to reallocate.

Councilman Phillips: Okay. Thank you.

[Time: 03:50:57]

Mayor Lane: Thank you, Councilman. Councilwoman Korte.

Councilmember Korte: So Mr. Worth, back to the MAG program, is staff working on a plan to budget for this? What -- what's the solution here?

Public Works Director Dan Worth: The solution, Councilwoman Korte is the same one that I mentioned when I showed the you similar slide for the general fund. Grocery sales tax, if you choose to invest that in CIP, you can invest it here just as well as you can in the general fund. 2% property tax levy increase should you choose to do that.

The other thing that we threw into the discussion and I probably neglected to mention this when I showed you the slide for the general fund, but we talked about it in January, the proceeds from real estate that we are holding on to, that we could potentially sell and, of course, bond. Those would be the potential funding sources that immediately come to mind.

Councilmember Korte: Yeah, and we know how successful we have been with bond measures the last two times around. Next question, so we have talked about transportation CIP. What -- what about our transit needs, trolley routes, airpark trolley, or different areas to expand what little bit of public transportation we have in the city?

Public Works Director Dan Worth: Mayor, Councilmember Korte, our payments that we pay into the transit system, our trolleys, our payments into the regional system come from our transportation sales tax. We get occasional grant money for some of the vehicles that are included in both programs but the bulk of our operating costs for our transit gets paid out of our transportation sales tax. The transportation sales tax revenues that we collect, half of it goes to capital and half goes to transit and pays for operating and some of the maintenance cost and the staff costs.

Councilmember Korte: So Mr. Worth are we going to see that in a later evening and transportation -- or transit needs projected out?

Public Works Director Dan Worth: Councilmember Korte, that would fit into the purview of the operating budget discussion and I think we can certainly provide that level of detail if I'm speaking on behalf of Mr. Basha and others, but I'm certain we can provide that detail as we go through the operating budget discussions.

Councilmember Korte: Thanks.

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

[Time: 03:53:53]

Vice Mayor Smith: Combined this slide that is on the screen now, the sort of summary of five-year transportation CIP program with the previous slide that we discussed for the general fund, this transportation fund five-year program would say we should come up with $140 million over the next five years or roughly $28 million a year. And I think the number we had before on the general fund came out to about $34 million a year, putting the two together that means if we could find the money, we would be investing $62 million a year to maintain, replace, and deal with the growth requirements of the city and the depreciable asset base of $3 billion.

This asset base, just reminding ourselves wears out our depreciates or fades away or feeds replacement or whatever at the rate of $100 million a year. And we are saying that if we could possibly find the money here, we would invest $62 million a year. So as desperate as this need seems, the reality is we would continue to be reducing the net capital assets of the city. Simple math by $38 million every year. Because we would be investing less than depreciation.

And as bad as that might be, of course, the reality you are trying to impress us with here is although this is a five-year needs portrayal for both transportation and general funds, it's by no means the available money. The available money that with you identified for us in transportation, and the available money in the general fund is only $28 million a year. And I submit that if we are managing the city, watching the assets fade away at a rate of $100 million a year, with a known source of reinvestment of $28 million a year, watching them fade away at the rate of $75 million a year or so, we are managing the city in a most unresponsible -- irresponsible manner. We are not meeting the needs of reinvestment. We are kicking the can down the road. We are letting MAG matching money go unclaimed, even though the citizens are paying into that fund. And we're doing this all in the namesake of conservation or conservatism or whatever label we want to put on it.

I have put on it the label of irresponsibility and I put on the label of this capital program it is a program of unsustainability. Thank you, Mayor.

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

Councilwoman Littlefield: Thank you. Well, I'm very Scottish and over the years I have learned to rob Peter to pay Paul and vice versa, and I'm looking at the MAG program and the list of projects and I would suggest any of these projects that are on our list already of transportation unmet needs ought to be prioritized because we can stretch those dollars pretty much three for one if we can get the matching MAG money. So I think that that would be something that ought to be looked at very closely to see if there's any way we can use a prioritization within the transportation capital needs to go to those projects first and see if we can get that matching number, that would stretch those dollars and that fund a great deal and help us to get more than we could get just by going dollar for dollar from our own capital. That would be a suggestion I would make if you want it as a motion, I think that those would be the best way to get the maximum benefit from what we have. Thank you.

Mayor Lane: Thank you, Councilwoman. Well, Dan, do you have anything else for us?

Public Works Director Dan Worth: That's it, Mayor.

Mayor Lane: I don't have any further questions. You have some direction to this point in time. I think we might just be ready to call it an evening. Thank you for the most entertaining portion of the evening.

Public Works Director Dan Worth: Thank you, Mayor.

Mayor Lane: Thanks, Dan. Thank you, everybody, for being here and for input and work on this.

ADJOURNMENT

[Time: 03:59:15]

Councilwoman Klapp: Move adjourn.

Councilmember Korte: Second.

Mayor Lane: All if favor of adjournment, please indicate by aye. We are adjourned.