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CALL TO ORDER

[Time: 00:00:10]

Mayor Lane: Good afternoon, everyone it's good to have everyone with us. It's approximately 5:00 and we'll start with a roll call, please.

ROLL CALL

[Time: 00:00:17]

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.

Brian Biesemeyer: Here.

City Clerk Carolyn Jagger: City Attorney Bruce Washburn.

City Attorney Bruce Washburn: Here.

City Clerk Carolyn Jagger: City Treasurer Jeff Nichols.

City Treasurer Jeff Nichols: Here.

City Clerk Carolyn Jagger: City Auditor Sharron Walker.

City Auditor Sharron Walker: Here.

City Clerk Carolyn Jagger: And the Clerk is present.

Mayor Lane: Thank you very much. We have cards if you would like to speak on any of the items for the agenda. Those are the white cards the city clerk is holding up over her head and we also have some yellow cards if have you any written comments you would like to give us and we will read them throughout the proceedings for any of the agenda items.

We have Tom Cleary and Jason Glenn here to assist today, thanks, gentlemen, for being here. And if there's any medical emergencies, please see the Scottsdale fire representative for assistance and he's directly in front of me here on the mezzanine. The areas behind the council dais are reserved for the council and for staff. So please respect that. But if you do have need for facilities, we do have them right over here under that exit sign and it doesn't mean that you go outside. We do have facilities

over there, but for your convenience.

PLEDGE OF ALLEGIANCE

[Time: 00:01:31]

Mayor Lane: But in any case, we have Boy Scout troop 648 with scout master Doug McFetters here with us today. So if you would rise, and if you can lead us in the pledge.

Boy Scout Troop 648: 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.

Kevin Weinhold: My name is Kevin Weinhold. I'm a sophomore at Chaparral high school and I enjoy running and playing lacrosse.

Michael McFetters: My name is Michael McFetters I'm from Cocopah middle school. I'm 13. And I love canoeing.

Tanner Ramsey: My name is Tanner Ramsey, I'm 11 and I go to Sequoia elementary school and my favorite sport is football.

Mayor Lane: Thank you very much, gentlemen.

INVOCATION

[Time: 00:02:42]

Mayor Lane: Instead of an invocation this evening, I hope that we could have just a moment of silence for some of the situations that have developed naturally and otherwise over the last couple of weeks and most notably the earthquakes on Ecuador and Japan. And we lost Kerry Fiske who was killed in a car accident just this past week. If you would take a moment and please consider her and the victims of those natural tragedies across the world.

PRESENTATIONS

[Time: 00:03:49]

Mayor Lane: We have a preparation from Arizona public service, company peak solutions rebate, and -- and our acting city manager but director of our water resources department, Mr. Brian Biesemeyer, will be here for the presentation and introductions.

Water Director Brian Biesemeyer: Thank you, Mayor. The Peak Solutions Program is a program that Scottsdale water has been in with APS for a number of years and offers rebates through shavings of our electric use during peak periods of time and the available to do so. As a result, we get a nice

check from APS, which we enjoy getting every year. So with that, I would like to introduce Patty McLaughlin and Rustyn Sherer to present a check to you, Mayor, on their behalf.

[Off microphone comments]

Mayor Lane: Just one small added note upon that. The credit goes to the water department, the largest user of power in the city, not because they are wasteful but they have a lot of water to move around and waste and a lot of other things that require energy consumption. Their participation in this project, as you saw for the last, oh, I guess now 16 years or so, is really -- it has been a powerful added boost for us, particularly when things were even shorter than they are now. But their continued success in that is really a credit to that department. So thank you, Mr. Biesemeyer for your participation in that as well.

PUBLIC COMMENT

[Time: 00:06:49]

Mayor Lane: So next item of business is public comment period, and this is a public comment is reserved for non-agendized items from citizens where we will take no official action. We allow for maximum of five speakers. A maximum time of three minutes each. We only have one request at this time. And we'll also have another moment at the end of our meeting, if there's additional requirement for public comment. But at this time, we have one request to speak, and it is Michael Fernandez. Mr. Fernandez, if you could come forward.

Michael Fernandez: My name is Michael Fernandez. Unless you have been hiding under a rock for the past year, it's obvious to the most casual observer that a much needed change is taking place in the world of business as usual politics. The citizens have awakened to the fact we are about to lose all that is near and dear to us if we don't put a stop to the shenanigans of unscrupulous politicians who simply carry water for the power broker elitist-type establishment players who are solely out to feather their own nest. Yes, it's even here in Scottsdale.

Take last Tuesday evening at the work study session of the Scottsdale city council, much to the chagrin of several of our current councilmembers, who enablers for the establishment players, the opposition to fixed rail transit in Scottsdale over the past ten years by its citizens has actually increased, however, they continue to plunge forward to curry favor with their lobbyist buddies. Evidently they haven't gotten the people's memo. Virginia, there is no Santa. And Linda, you are correct. You do not have superpowers. And Suzanne, you are an enigma in making that observation it's worth noting a person's word is their bond. Your fellow small business owners want to believe your last-minute conversion to removing fixed rail transit from the plan was sincere and trustworthy. Their e they are depending on you to stand by your word.

Now for the rest of this story. We are fortunate to have elected officials in Scottsdale who have honor, strength of character and the fortitude to stand tall and do what is right by our city, and its citizens. Mayor Jim lane and councilmembers Kathy Littlefield, David Smith, and guy Phillips don't

need to be commended for their actions if requesting that fixed rail transit be removed from the master plan. I say that because doing the bidding of and for the citizens of Scottsdale is in their DNA. The leadership skills are based in reality and they epitomizing the addressing of the rail. A big thank you to Jim, Kathy, David and Guy is totally in order.

Mayor Lane: Please, no applause. Thank you. We appreciate the sentiments. And thank you, Mr. Hernandez. So that is the one and only item of public testimony for public comment.

MINUTES

[Time: 00:10:22]

Mayor Lane: Moving on to the next order of business is a request to approve the minutes, and I ask for a motion to approve the 4 p.m. special meeting minutes of March 22nd, 2016, the 5 p.m. special meeting minutes of March 22, 2016, and the special meeting minutes of March 29th, 2016 and executive session minutes of March 22nd, 2016. Do I have a motion or any other comments on those minutes?

Councilmember Korte: So moved.

Mayor Lane: Moved and seconded. All right. So a motion has been made and seconded for those minutes, as was just described. We are ready then to vote. All of those in favor please signify with an aye. Opposed with a nay. It's unanimous the acceptance of the minutes. Thank you very much.

ITEM NO. 14A – SHOEMAN OFFICE BUILDING REZONING (7-ZN-2015)

[Time: 00:11:15]

Mayor Lane: Now we are taking one item a little bit out of order right now, for the convenience of those who may be here for it, but we have a request from the applicant to continue added item 14a, the Shoeman office building rezoning, 7-ZN-2015 to May 10th. This requires that we take a vote at this time because this is an additional continuance motion. So do I have a motion to continue it to May 10th?

Councilmember Korte: So moved.

Mayor Lane: The motion has been made.

Councilwoman Milhaven: Second.

Mayor Lane: And seconded. And all of those -- I think we are then in favor. All of those in favor please indicate by aye. Those opposed with a nay. That's unanimous then. Thank you very much. That motion is continued. So if you happen to be here for that item, you can certainly leave quietly

or you can stay for the proceedings. The rest of the proceedings.

CONSENT AGENDA

Mayor Lane: Next item of business, we have is consent agenda items 1 through 12. Unless there are any questions on that from council, I will proceed with the one request to speak on item 9, which for the record is the appointment of Pro Tem judges to city court and it's a request to adopt resolution 10410. The following initial appointment of Pro Tem judges for two-year, from May 27th, 2016 to May 17, 2018, and Jennifer Dalton, James Hart, Robert Melton and Thomas Wilson. And then the following reappointments, Susan Kayler and Thomas Scarduzio.

We have Sandra Schenkat here to speak to that.

Sandra Schenkat: Hello Mayor Lane and Councilmembers. I would like to bring it to your attention, as a layperson, not as a member. J.A.B., that I believe we need to look into hiring a fifth judge as full-time judge. The four Pro Tems are paid \$55.44 an hour. So we have a budget of about \$88,000 for four Pro Tems. I, from personal experience, know that they are not the quality of the type of opinion and judges that we should have in this city and because we had such an increase in the population of the downtown, I think it's time for us to consider a fifth judge. It will be considerably more money than the \$88,000, plus city benefits to hire a judge, but then we would get consistency. We would have more professional judgment made by the judges that come and go as Pro Tems. I do have an example of a Pro Tem situation a couple of years ago, they -- a Pro Tem was hired. His license had been suspended in Illinois to practice law. And the city of Scottsdale hired him as a Pro Tem. I think we get what we pay for. I think if we go with the continuation of Pro Tems and I know it's too late to change this now. Sooner than later, I think we need to get it in the budget and consider a fifth judge. Thank you.

Mayor Lane: Thank you. That completes the public testimony that we have at this time. So do I have a motion to approve consent items 1 through 12?

Councilmember Korte: So moved.

Councilwoman Klapp: Second.

Mayor Lane: Everybody is really jumping at it tonight, I'm telling you. I do have a motion and two seconds, actually, but I think we are covered. So we do have a motion to approve consent items 1 through 12 and it's been seconded. All of those in favor, please indicate by aye and those opposed with a nay. Aye. Consent items are approved unanimously. If you are here for the consent items you are certainly welcome to stay, but if you like, please leave quietly.

We will move on to the regular agenda item items, 13 through 16.

ITEM 13 – PROPOSED FISCAL YEAR 2016/17 OPERATING BUDGET AND CAPITAL IMPROVEMENT PLAN

[Time:

Mayor Lane: Acting city manager is here to start us off with item 13.

Acting City Manager Brian Biesemeyer: I have the proposed operating budget for you. We have tentatively May 3rd, if more discussion is required by council, otherwise after tonight, we'll be back before council on May 17th for the public hearing on a tentative budget, as well as adoption of rates and fees. We will be back again on June 7th for the public hearing on the final budget and then on June 21st for a public hearing and final adoption of tax levies.

The proposed budget totals are on the screen above, and tonight we are going to be concentrating the presentation on the operating and the capital budgets. I believe this is a balanced budget and I believe it incorporates council priorities and policy directions, specifically with an emphasis on the downtown, as well as facility maintenance and replacement within the limits of our revenue streams and as well as personal services where we have several pay programs which will be presented to you through this presentation. The operating budget overview will be given by Judy Doyle and then chief Rodbell will present his reorganization plan. The capital improvement plan will be presented by Dan worth and property taxes will be presented by Lee Guillory. Council asked to bring back the property tax question and this will be that time.

And with that, I will have Judy Doyle come up for the operating budget overview.

Mayor Lane: Thank you, Mr. Biesemeyer. Welcome.

[Time: 00:18:22]

Budget Director Judy Doyle: Thank you. Good evening Mayor and members of Council. As Brian mentioned, tonight I will give you a high level summary of the proposed '16/17 budget that was released on April 5th. As well as give you, council, the opportunity to discuss and possibly give direction on any budget items for the tentative budget. We have organized the operating budget overview slides so let me briefly take a look at the rear view mirror at the five-years in the past and then five-year forecast. And then the '16/17 proposed budget, including those budget packages that we deemed a priority and included in the proposed budget.

Our focus is the general fund, which is the operating fund which is used for everything that is not legally required or restricted to be accounted for in another fund. This slide is a high level summary of proposed '16/17 budget and then those prior four years, focusing on the total sources, total uses and ending fund balance. I will remind you that fiscal year '12/13, the total sources and uses included an additional \$31 million for those MPC bond proceeds that we used to pay off the Nordstrom garage lease agreement. So we went ahead and graphed the sources and uses for a better visual for you.

The columns represent the sources. This is our local sales tax, state shared revenue, et cetera, everything that our city treasurer talks to you monthly during the monthly financial update. The uses

are illustrated in two of the lines, the white dotted line is our total uses. That black solid line is the uses less one-time items. One-time items being that additional transfer that we make to our capital program deferred maintenance, the pool equipment, et cetera. You can see over the five years, our uses less those one-time items were within our total sources.

This slide also includes the ending fund balance which we graphed on the next slide to give you a breakdown of that fund balance. The bottom portion of the graphs represent the general fund reserve, which by financial policy is 10% of our operating budget. That middle orangish color is our contingency which requires council approval and is used for unforeseen items throughout the fiscal year. And then the beige represents the unreserved fund balance. This is our winnings if you will from previous fiscal years and should be used for one-time items. It should not be used for any ongoing programs, expenditures, et cetera. And, again, the unreserved fund balance, we will use approximately 6.2 million in '16/17 for that additional pay period that we have been talking about as well as one-time items of approximately 2.7 million which we'll later cover in the presentation. We also are proposing an additional \$5 million transfer to our capital program in '16/17, which Dan Worth our public works director, will give you the breakdown of the '16/17 proposed distribution.

So now looking forward for fiscal year '16/17, through 20/21, there are a few things worth noting here and I assure this will be the slide I spend the longest on. The revenues, we did receive preliminary state shared revenue estimates from the league after the proposed budget was released. They were estimating an additional \$1.7 million than what we have included in the proposed budget. The league did indicate that those estimates are not using updated population figures, which they will not receive until May and our state shared revenue allocation is based on population. The league also indicated that the state budget is not finalized. So those distribution amounts are subject to change. So we are hesitant to modify the revenue estimate that the league has provided. We would prefer to wait until May when we get that updated estimate from them where they are using updated population figures.

[Time: 00:23:36]

Budget Director Judy Doyle: The transfers in, this is a line that includes our franchise fees from our water and water reclamation funds, our annual transfer from the tourism and the development fund, but this line now also includes a transfer of about 300 -- about 3.5 million in '16/17 from the debt service fund. It's Maricopa County stadium district and Arizona sports and tourism authority funding, with a then liked amount debt service payment which is included down in the debt services line in uses. As you might remember, this was debt used for stadium improvements. The amounts transferred in equal the net service payment, which will escalate up to 7.3 million in 1920, and then we have a partial last debt service payment of 1.8 million in 20/21. Again, because they are a like amount coming in and going out, there's no impact to the general fund, but I just wanted to point out those significant changes that are occurring in those lines.

The expenditure lines you will see specifics later in the presentation, but a noteworthy expenditure item is the operating impact related to the \$4.9 million data resiliency plan CIP project. Beginning in fiscal year '17/18, we will have a \$250,000 impact associated with that project. In years three -- yeah,

in year three, that will move up to \$500,000, years four and five, it will be \$900,000, and year six, when it's fully -- it has its operating impact will be 1.1 million. That operating impact includes two FTEs. It includes maintenance and rent. Looking at that debt service line, in addition to the Scottsdale debt service that I had mentioned previously, I also wanted to point out we do make our last \$2.5 million debt service payment in year four for the public safety communications.

And then finally, that transfers out, and does include council's direction. That was given to transfer the 1.1 million of food tax for home consumption to the capital budget. The direction was to phase that in over three years. So in '16/17, we are transferring out approximately 2.5 million and by '18/19, when it's fully phased in, we're looking at approximately 7.9 million. Additionally, the transfers out include another 5 million in '16/17, and '17/18 for a total of 10 million to our CIP with use of the unreserved fund balance.

So, again, looking at the graph highlighting the sources in those columns and the uses, the white dotted line being total uses less one-time items in that black solid line, this illustrates that '16/17, as Brian mentioned is a balanced budget. And then looking at that unreserved fund balance moving forward, again, that '16/17, does include the pay period and one-time items that we will cover later, as well as the 5 million to the CIP.

So now, focusing on the proposed '16/17 budget and comparing it to our current '15/16 forecast and looking at that difference, we are projecting total sources about close to 9 million more than the forecast, which is approximately a 3.3% increase. The revenue lines that make up the majority of that difference, the local sales tax at 3.6 million, the categories that are influencing that change the most are the hotel/motel, miscellaneous retail and restaurants. The hotel/motel, the industry experts are telling us that they expect that trend to continue for the next two years. The increase in miscellaneous retail primarily due to online retailers and because gas prices have been lower, it allows folks to spend more money in retail and restaurants. So we are seeing those increases there.

State shared revenue 3.3 million, but I mentioned that's subject to change, either up or down, based on the estimates we will get from the league sometime in May.

[Time: 00:28:56]

Mayor Lane: Ms. Doyle.

Budget Director Judy Doyle: Yes?

Mayor Lane: You know, I had a bit of a question on that. Obviously it is an estimate and it could -- and it's subject to change, as you indicated, but the fact that the 1.1% sales tax increase year over year of the 3.6 is roughly about 3% increase, but the state shared revenues from our forecast to the -- from last year or the current year to what we are proposing is a 6% increase open the overall and I'm not -- I suppose subject to any changes that they might actually exercise on top of it, my question is that did we end up with any kind of a contraction on our forecast in '15/16 due to some of the changes in the allocation issues that came with it?

Budget Director Judy Doyle: No. That 3.3 million that you are referring to is the sum of the income tax, sales tax and auto lieu. So the majority of that 3.3 million is the income tax portion. 2.4 million was related to income tax. Almost 9% increase and that's something we know two years in advance. The sales tax portion was an \$800,000 increase.

Mayor Jim Lane: So there's not time for any of the sales tax portion of it? Oh, I'm sorry, Vice Mayor?

[Time: 00:30:33]

Vice Mayor Smith: While we are on that line. Let me ask you, if you would to clarify the comment that you made about the 1.7 million. Excuse me, the potential increase from the state. I know in the forecast, the forecast state revenues for this year, you showed no improvement over what we had budgeted some number of months ago. And so the growth here of 3.3 is against what is actually a fairly flat performance expected for this year. Is the 1.7 a potential increase in this year's receipts?

Budget Director Judy Doyle: No, the 1.7 is in the '16/17 receipts.

Vice Mayor Smith: And so then maybe I'm confused because it looks like we are forecasting 3.3 million and you are saying it would as low as 1.7 or lower 1.3.

Budget Director Judy Doyle: We are assuming a \$1.3 million increase in '16/17 over '15/16, the league has provided systems that would increase that \$1.3 million to \$5 million over the forecast.

Vice Mayor Smith: So it could be as much as \$5 million improvement?

Budget Director Judy Doyle: Yes.

Vice Mayor Smith: Thank you.

Mayor Lane: Thank you Vice Mayor. Thank you Ms. Doyle.

[Time: 00:31:56]

Budget Director Judy Doyle: And also the property tax we are expecting a difference of \$400,000 related to the new construction as Brian mentioned and Lee Guillory will speak at the end of our presentation in more detail about the property tax. And then finally the transfers in that other is related to that debt, the stadium debt that I had mentioned previously. That has the corresponding debt service payment.

Now, focusing on the uses, we'll first look at this from a category perspective and then we will also look at that from a division perspective. The most notable difference of the total uses, change of 18.5 is in personnel services.

A difference of 11.2 million. I'm actually going to forward a couple of slides because the significant changes are highlighted here on this screen related to personnel services. As I mentioned, we have that additional pay period slated for '16/17. We have the merit pay which is the 3% of max for employees who perform well. About 2.5 million. We have a 5% step program that council had given us direction in the '15/16 budget process and that's 1.3 million. Earlier this year during our budget development discussions, direction was given to include a 5% step, and increases to paramedic and special take pay for our firefighters, fire engineers and fire captains at 1.1 million. And then the employee healthcare increase.

You might note that the sum of these significant personnel service increase is 12.2 million. If we look back on this screen, I'm noticing a difference of 11.2. That \$1 million difference is a reflection of folks that have left the organization. They are people that left and retired and had been with the city for a number of years and were near the top of their pay scale. The new employee that has come in is at a lower salary and therefore we have reduced the budget. So that's what is making up that \$1 million difference.

Contractual, I will talk more about those. Those are primarily the priority budget packages that we included in the budget. That debt service and contracts payable, again, relates to that stadium debt that I had indicated and transfers out the differences related to transfers we are sending over to the capital program which, again, Dan worth will speak to later in the presentation. Are -- later in the presentation.

Looking at that change by division, a total of 14.1 million, we have talked about 11.2 of that being in personnel services. The remainder is the contractual services of 3.5 million. And we broke down those packages to kind of point out what that 3.5 million looks like. We have organized it to include one-time items and ongoing items.

Beginning with the one-time items, I'm not going to go through each of these, but the roof coating I did want to just speak to. This is phase one of four. We have included 700,000 in '16/17 to recoat city-wide -- or excuse me, city buildings at various locations. If we do this, it will increase the life of the roof on an average 10 to 15 years. Once we complete all four phases, we will ultimately defer maintenance of approximately 2 million in our capital budget. So the one-time item totally about 2.7 million, we have about 800,000 in ongoing items, including that final transfer of FTEs from the court enhancement fund over to our general fund. For a total of 3.5 million.

I just wanted to highlight some of the other packages that we have included using our other funds. We have approximately 500,000 included for downtown ambience lighting using tourism and development funds. We are looking to replace a fire truck at the airport, approximately \$900,000 using aviation funding, and we have included \$300,000 also of tourism and development fund for downtown event activation.

[Time: 00:37:00]

Mayor Lane: Ms. Doyle, if I could on that last one. I don't know whether you hit on it specifically and if it was an explanation, and if you did, I apologize it on the destination contract marketing, the \$900,000, why is that going and why is that here on the general fund budget. I would have thought all of our destination marketing costs were associated with our contract with the CVB.

Budget Director Judy Doyle: Yes, this is actually outside of the general fund. These are other fund packages. This our tourism and development fund. Basically, we are projecting an increase in revenues, 50% of the bed tax collected is transferred for the destination marketing contract. So this reflects that increase that we're anticipating in revenues.

Mayor Lane: I see. From the bed tax?

Budget Director Judy Doyle: Correct. Yes.

Mayor Lane: All right. Thank you.

Budget Director Judy Doyle: And our staffing levels, when we speak to staffing level, we refer to them as full-time equivalents or FTEs. In '16/17, we are proposing to 2,476, which is down from our peak. We are remaining relatively flat to '15/16. I say relatively flat. We have increase of one FTE overall. I will note that within the general fund we are decreasing 6.5ftes. And you will see the note that the majority of that decrease is related to the police department, which would be a good transition to hand it over to Chief Rodbell to walk through his slides, unless there are additional questions for me.

Mayor Lane: Yes we, do. Vice Mayor Smith.

[Time: 00:39:04]

Vice Mayor Smith: Go back to the staffing levels FTEs, whatever. And refresh my memory or maybe others as well, the 60 person increase that we had this year versus '14/15.

Budget Director Judy Doyle: Yes, we had a number of what we called slots in the city. It was our pipeline, police officers. We have pipeline within our water department. We have parks and recreation had specialists that we did not have an FTE assigned to them. We didn't feel that was being transparent because we were budgeting for those hours. So we had an increase as it related no that. There was no financial impact associated with that.

Vice Mayor Smith: Thank you. I think that makes it clearer for everybody to understand.

Go back, if you will, a couple more slides when we had the comment on the significant general fund uses increases, the 27th pay period and so on and so forth. That's the slide. On the third line down, and the fourth for that matter, when we talk about the step increases, maybe it's just a convenient way of saying it here that it's a step increase but it's my understanding that these will always be performance-based increases.

Budget Director Judy Doyle: That is absolutely true. It will be based on performance. It will be an up to 5%.

Vice Mayor Smith: Even at the risk of using more ink on the slide, it would probably be good for us to continually remind ourselves of that.

Budget Director Judy Doyle: Absolutely.

Vice Mayor Smith: And on the firefighter, the fire engineer and the fire captain program, is that -- refresh my memory again. Is that a decided program or do we have another session to discuss that? Or did we finish discussing it?

Budget Director Judy Doyle: I think where we left it was if council, if this was a majority that wanted to include that on an agenda for future discussion, you could do that.

Vice Mayor Smith: Hmm. I wonder how that happens. Okay. Thank you, Mayor.

[Time: 00:41:27]

Mayor Lane: Thank you, vice Mayor. On this same slide, if I might because this comes up from time to time, and it is to the Vice Mayor's point, what is the assumption with the 2.5 million indicated increase that's anticipated with the merit pay, with the police officers, 5% step and with the firefighters? In other words does that translate into something lesser than 3% on the overall or where does that lie?

Budget Director Judy Doyle: It translates to a lesser amount because there are some folks that are at or near the max. So we are including an assumption that anyone who is eligible could receive the max of 3 or 5%. That doesn't mean it would fully be used for those who are eligible. And they have to meet the performance goals.

Mayor Lane: Those people at the top of grade, they are not eligible for any further increase.

Budget Director Judy Doyle: Correct.

Mayor Lane: They may be close and they might get something but not the entire or they may be ineligible all together?

Budget Director Judy Doyle: Exactly.

Mayor Lane: Those numbers have been precalculated out of these dollar amounts have you here?

Budget Director Judy Doyle: That's correct.

Mayor Lane: With regard to the remaking is there an assumption on the remaining that they are all at 3 or 5 or 5.

Budget Director Judy Doyle: The assumption is they are all at 3 or 5 or 5, and what is left over. If someone was budgeted to get 5%, and only achieved a 3%, that remaining 2% would fall back to the unreserved fund balance.

Mayor Lane: So it wouldn't necessarily go to someone to take them over 3 or 5%?

Budget Director Judy Doyle: Thank you.

Acting City Manager Brian Biesemeyer: Mayor and Council, if I may. It would not necessarily, however, it's normally distributed per the director and there may be some that get above 3%. It's -- but it's -- but those are generally approved by the city manager. So I can't say that there's not but they are few -- those are few and they use special circumstances. I can't say that it would never happen and we all go to the city manager and we keep a tight rein on them. In general, it's 3% and if you don't perform as well, it would be something less than 3%.

Mayor Lane: I guess what I'm trying to say, I appreciate the latitude and the special circumstances. I think what the council intended to approve was a 3% max for employees who perform well and the 5% step on the police department and the fire department. What we are seeing in other agencies that are following a similar type of program is that the department gets the 3% and if someone does drop below, then someone else makes up for it and the average open the overall, even as we are indicating in these dollar figures are all set that somehow or other, the 3% is going to be spent and that's my concern. It just -- and it's probably a -- it's as clear an indication as to whether or not they are truly merit based and whether they are within the maximum. So that's my concern.

I would think that that's the way it should apply that if anything is left over, as Ms. Doyle just mentioned that somehow or other, that would be savings to the city, as far as that is concerned, but at the same time, this would be true representation as to someone who has performed to the maximum and someone who might be a lesser level than that.

Acting City Manager Brian Biesemeyer: Mayor, that's the intent. It's not intended -- I wanted to make sure that there are on occasion very special circumstances that occasionally are addressed but the general intent is 3% or less, therefore if there's any savings it goes back to the fund.

Mayor Lane: Thank you very much. Thank you, Ms. Doyle. Vice Mayor, I'm sorry. Vice Mayor?

[Time: 00:45:38]

Vice Mayor Smith: Thank you, again. I do have a couple more questions. One I know will come up when Mr. Worth does the capital budget because he will be the recipient of interest earnings in excess of \$1 million pursuant to the new financial policy. But you or Ms. Guillory or the city treasurer may be in a position to explain to us the expected interest earnings that are going to increase from roughly

\$900,000 this year to an estimate of 1,000,004 next year, which is a fairly substantial 50% increase in interest income. And maybe you can talk to what you expect.

City Treasurer Jeff Nichols: Mr. Mayor, Vice Mayor Smith, yes, we are seeing increased interest earnings this fiscal year. But we do expect at least the people that are managing our portfolio are telling us that we can expect even better interest earnings next fiscal year. We are also added an additional \$40 million, let's say, that was sitting on the side in our savings account, and we're more actively investing that \$40 million. So we are seeing an increase by managing our portfolio to just cover our banking expenses and come out even on those so that we are not paying for those charges but all of our other funds are invested.

Vice Mayor Smith: Okay. So this is not a judgment about the general economy in the future. This is a bit of a different strategy for managing the money.

City Treasurer Jeff Nichols: Different strategy for managing the money and we are stretching out the length of our portfolio to take advantage of the yield curve. We are stretching it out a little bit because things are looking better.

Vice Mayor Smith: Okay. Thank you. Back to you Ms. Doyle. One other question, I know in the category that you call miscellaneous revenues, this year you had miscellaneous revenues at \$5 million and next year they are \$3 million and after that, they are below \$1 million. Is this the sale of buildings or stuff that -- that I'm vaguely remembering?

Budget Director Judy Doyle: Mayor and members of the council, vice Mayor Smith, that is correct. In '15/16, we had included additional revenue for the sale of the building. I believe it was the graphics building.

Vice Mayor Smith: And so next year, it's \$3 million and then the year after that, it's \$1 million. It looks like \$1 million is more the stabilized number. I don't know what you are expecting for next year. That would be boosted above the \$1 million number.

Budget Director Judy Doyle: Mayor and members of council, I know I have that information with me and it's escaping me at this time. Perhaps we can loop back around to me after Chief Rodbell and I can answer that question.

Vice Mayor Smith: Great. Thank you.

Mayor Lane: And you are complete. Thank you very much and let me just say that I think that the presentation was clear and to the point and made it very easy to follow through and to develop the questions as necessary. But thank you very much, Ms. Doyle. So Mr. Rodbell, Chief Rodbell.

[Time: 00:49:09]

Police Chief Alan Rodbell: Good evening Mayor, and members of the Council. I'm here to present

the police reorg plan and our current budget. If -- there we go. So just a little bit of background. I can't believe it's been a year ago. A year and a half already. But back in November of 2014, you presented to then the city manager Fritz Behring a reorg plan for a number of budget years. It didn't get as far as you but I had a number of requests to do some problem solving within the organization to move some positions around to create some civilian positions for tasks that I needed to accomplish within the organization and same within the current budget.

So we put together this reorg back in 2014, and presented it to city manager Fritz Behring and he assigned -- instead of following through on that particular proposal, he instead wanted to do a comprehensive report on the entire police department. And he did that by putting some money in the last year's budget and then in July of 2015, he contracted with the Center for Public Safety Management for a study that was \$70,000 study. Center for Public Safety Management is a branch for I.C.M.A., they have done over 200 police studies nationally.

In September of 2015, the study began. They came out after asking for extensive data research on our part, we sent them everything we had. We sent them more data than they actually asked for so they could do a complete and comprehensive look at our organization and make some recommendations that were truly beneficial to us and to the community. They had on-site visits and created focus groups. I know they met with a number of Councilmembers and all during the later part of September of 2015 and beginning of October, and the report was we leased at the beginning of this year -- released at the beginning of this year back in January.

The findings included quite a few nice accolades for your police department. You can be very proud. This police department is one of the finest they ever seen. They were impressed with the way we do our business and we respond to community concerns and needs. One of the things I'm most proud of is they could see our history and see that we spend a lot of time looking forward to see how we can continue to improve service deliveries and efficiencies. And the recommendations they said actually are an opportunity for us to build upon our strengths.

There's 64 recommendations in total that were offered by the Center for Public Safety Management. Obviously we are not capable financially or even otherwise of putting all 64 recommendations into play. So we took a serious look at what kinds of things could we do immediately, things I could do with a signature, things that needed to come to the council for approval were put in this year's budget and we thought would be a first step. And then we have a strategic planning process in the department, and we are currently going through that process. As we look at our future down the road, we are looking at prioritizing things that the center suggested we look towards so we can present them to you sometime in the future.

So the reorganization plan, we then sat back and said let's look at the reorganization plan once again and see if we can get to including many of the recommendations that we felt were first steps in the study as recommendations. So we wanted to address some current needs, the ones that I previously talked about. We wanted to identify organizational resource needs and streamline the organization, once again achieve some efficiencies.

We -- the Center had a gentlemen that is actually the guru of police scheduling. He's a gentleman out in New York City. He has his own scheduling schemes that he recommends to the departments but he took a look at our scheduling and he said you had absolutely the best schedules we have ever seen in terms of coverage and quite frankly we make no recommendations for you to make any changes at all. There's only two police departments in the country that he knows get it us and a town somewhere in Michigan that has less than 100 officers. And he said we will let you tweak your shifts by half hour, either way, and that should help you once again even improving more so your coverage and staffing levels. And so we look to -- we went back and looked at our scheduling strategies and once again tweaked it a little bit but it certainly was within the recommendations of -- and the support of the center.

And so the reorg really does fill a lot of our needs and this is just a real brief overview of some of the things we are doing. One is in this budget we hope to add two part-time dispatchers and two part-time record specialists.

[Time: 00:55:10]

Mayor Lane: Chief, pardon me. If you could just go back to that last slide, and that was the 2016 police department reorganization.

Police Chief Alan Rodbell: Yes, sir.

Mayor Lane: I just had -- I just had a general question, actually, from the indication of 64 recommendations, how many of those 64 recommendations were you able to act upon?

Police Chief Alan Rodbell: Oh, you know, standing here I can't tell you that. I put a report together that took all of the things that we are doing and put the -- and attributed it to which recommendation they made. So I don't know if we have a copy of the report or not, but we can count those up for you.

Mayor Lane: To mean to say that you did something in the way of expanding or enhancing service through the majority of them or --

Police Chief Alan Rodbell: What we did is we looked at the recommendations they made and attempted to take the new reorg, the most current reorg that we put together for this budget year that with you have and tried to attribute it to the recommendations that match up their recommendations to what we were doing.

Mayor Lane: So that they were either in process or already had been accomplished?

Police Chief Alan Rodbell: Some of them were. In fact, one of the things that the Center said was many of the things that they normally recommend to police departments, we were already doing, and we had been doing them for quite some time. And so some of the things we already achieved but new things that they suggested, such as covering, again, the first two items on the last page we talked

about, was covering the swing shifts to allow us to maybe perhaps get better serve to the community and not having more personnel full-time when you only need them for a set period of time.

Mayor Lane: You had 64 recommendations and that really you had to go and do things that didn't cost anything. So I don't know whether or not it was a matching up of something we have already -- some of those 64 items that had already been accomplished or you already had in motion.

Police Chief Alan Rodbell: Mayor and members of Council, some of those were simply things in terms of organizational charts and reporting skims. We -- reporting schemes. We already had the units and it was moving them around. In approving the budget, you approve our organizational chart. It makes it very easy for me to do -- to complete some of the recommendations made, simply by moving things around on the page saying instead of being part of this section, it's much more efficient for you according to the study of the report for this section. There are a number of things that we can do that would require you to approve the budget but didn't require any additional funding. It was just reporting schemes.

I have a complete report that I believe the city manager sent you to that had each of the lines actually told you on the far right of the page, exactly what recommendation that actually applied to in the study. And I don't -- I don't think I have one here if you wanted to see it, sir.

Mayor Lane: I might ask you for that later but it's not necessary right here. I was trying to get a general overall idea of how many of the recommendations you were able to act upon. And in that presumably there hasn't been an increase in costs and maybe actually a reduction in costs. There's a mix of things that I recommended that did improve efficiency and therefore could potentially, as you are talking about with the staggering of patrol shifts actually reduce sworn officers in any case which I presume would be a savings somehow or other or the need for it.

Police Chief Alan Rodbell: And you will see that. At the end presentation you will see what the reorg is.

Mayor Lane: I think we saw something about six FTEs and I assume that connects with what you are about to show us a little bit later.

Police Chief Alan Rodbell: Yes, sir.

Mayor Lane: I think we have another question or comment. Vice Mayor Smith.

[Time: 00:58:11]

Vice Mayor Smith: Thank you, Mayor. As long as we paused on this slide, let many ask you a bit more about that third bullet, supported by further staggering to the overlap of resources. Generally speaking, one does not think that creating an overlap of resources leads to a cost savings. Is that -- am I misunderstanding the terminology or if you have got -- if you are overlapping it seems like you have two people doing something that maybe only one did before. What is the implication here?

Police Chief Alan Rodbell: Well, overlapping, there's two parts to that. One is many times overlapping allows you not to call people in for overtime or hold people back on overtime, while another shift comes out but also overlapping occurs at high volume times. And so rather than staffing for the highest volume times, you do the staffing at tagger numbers to have the high staffing when you need it the most. And we track what times of day when you are staffing the most. In fact, the Corona Solutions Software package that we use in terms of deployment, the district commanders can see where they need to move resources around for maximum coverage where they have people that don't have anything to do. Overlapping is important to make sure that you call people in, and you have people there for the high call times.

Vice Mayor Smith: In that connection, I did read the report and look at some of the observations it seemed to me in the patrol area, in mar, they talked about some analytics that they observed at other organizations, where they looked at the call volume that you have and then the number of people that are typically sent out on that call volume and the number of minutes that they remain on the call, either responding to the emergency or -- or appeasing the neighbors or whatever, and the amount of what they call down time or some number that says you shouldn't have a person spending more than 60% of their time on the call because otherwise they wouldn't get their paperwork done. But it seemed to me that our numbers for this particular group of folks, the patrol officers and the sergeants that managed them, we -- we seem here in the city to have fewer calls per person than the -- than what they would have suggested was optimal. We seem to spend more time at the calls than what they would have considered optimal.

So my question to you is, responding to this third bullet, do you have and maybe it goes to the Mayor's question of the 64 initiatives have not yet been responded to, do we have some scheme that we are going to try to tighten up this unit, this group and frankly, achieve greater efficiency with them? Is that one of your objectives going forward?

Police Chief Alan Rodbell: Mayor, members of Council, that's absolutely right. You will see in the reorg, there's nine less ten total less police officers, nine less officers in patrol. So in the history of community policing, it's always been recommended that officers have sometime between 28 and 33% of their day to do patrol work, citations, talk to the community, problem solve, respond to neighborhood issues. In reality, we are at 20%.

What you have seen is our officers have spent more time with citizens, than they are in free time. It's how they are using their free time. They are spending time with our citizens and it's not over here in free time doing patrol work. We believe removing the ten positions we are removing out of patrol, we will remove the air in that balloon. That's what we are looking to do.

Very quickly if I can figure out how to use this, I will show you a couple of things. If I can find it. So average -- I don't remember -- I don't know how to get rid of that. 15 years teaching the community college, I cannot use these things. So anyway -- no way to get rid of that, Brian? You can make it bigger. Okay. Thank you, sir.

So the benchmark that the center for public safety management stated was about 28.7 was the amount of time spent with citizens on calls. And we are at 43.8. But that's just for a citizen generate calls. That's when a citizen actually calls us. We are spending more time with them in Scottsdale than the benchmarks of the city average. When you look at officers actually initiating the call, they are actually below the time. So we know that our officers spend more time with the citizens when the citizen calls us.

That translates into some pretty good things for us. It's one of the reasons why we don't have some of the issues other police departments are having with their communities. These officers while they are spending time with the citizens, many an emergency comes up, they are leaving and going to emergencies but they are spending more time with the citizens. Our calculations are they are spending less time patrolling streets, pulling over traffic violators and doing problem solving but they are spending more time with the citizens. We believe moving nine or ten officers out of patrol will have an impact on that and we will be watching that. But we do believe that as you can see our proactive time is less than what current solution says we should have. It's 15 to 18% with Corona says 25.

The other thing I want to show you a thing called fit number. The fit doesn't stand for anything. People think it stands for something, but it doesn't stand for anything. The fit number that says you have got the right amount of average, the right number of officers for the things that you are doing out there. And if you can see the fit number, what corona solutions has told us, the software package we purchased, the ideal fit number is under 20. Now prior to the reorg, you can see our districts, one, two, and three, our four district stations, our fit number is under 20. But if you go into the reorg, our fit number goes to -- it goes to single digits.

So we are really looking the next few months, July into the next fiscal year. We really want to watch to see what if anything is impacted. Do our assistants feel they are not getting the same level of service. Do they not even notice. Is in the right number? So we believe that the reorg will address, Mr. Smith -- Vice Mayor Smith, the issues that you are bringing up. And that's why we highly recommend moving forward on the reorg.

[Time: 01:06:06]

Vice Mayor Smith: Well, let me say a few things. I commend you on the high remarks that you got on the report and that's a tribute to you and your staff and everyone and not to be diminished. You and I had some conversations and I told you, you will always be -- you and the fire chief will always be a target for me to find cost savings, simply because between the two departments, you consume more than 50% of all the resources of the general fund. So any time we want to save money we have to say, chief and chief, what have you got for me? If we don't achieve savings and efficiencies in your department, we won't anywhere. It is by no means to be construed as any lack of interest or commitment on my part to public safety and to either of your departments. It's just a staggering reality that that is where all of our money goes. So if we want to have less money going there.

You and I also had conversations about the question of how much time your folks spend with the

citizens in community outreach and things like that. I know that pays dividends in terms of whatever you want to the communities acceptance of the work that you are doing and their appreciation of the work that you are doing. But it is -- it -- it's a luxury that we will sometimes to have to look at critically. The mission will be public safety and community outreach is something that we, in my judgment should do if we have the money to do it. And if there are not other competing demands for the money that have a higher priority.

So it's in that connection that I raise the question of -- or the challenge of trying to, you know, squeeze all the efficiency that we can. Because if you don't have efficiency, we won't have efficiency and we won't have the budget balanced in the years to come. So both compliments and a challenge.

Police Chief Alan Rodbell: Mayor and members of Council, Vice Mayor Smith, let me assure you that we understand exactly what the challenge is, and we appreciate it and we are on board. Clearly the Center for Public Safety Management, recognized that and we are trying to improve efficiencies and reduce costs. With this reorg, we will be at 401 officers. That's 34 less police officers in the city over that year period. So we -- we understand exactly what the -- what you are saying.

My commitment is we will continue to look at this, to continue our efficiencies and still deliver the incredible service we have been delivering and we -- we understand. Absolutely. Thank you.

[Time: 01:09:29]

Mayor Lane: Thank you, Vice Mayor. Chief, if we were talking about the contract and the recommendations that were made and I will go back to that just a little bit to say, is this any way to quantify -- well, let me ask this question first. Is the reorganization based in part or entirely open the recommendations that were made through this study?

Police Chief Alan Rodbell: I will say it's a combination, certainly. There are some things that the reorg did not recommend that -- but they didn't say don't do this. But they knew exactly why I was asking for some things and they just said you are asking for that and that's not part of our study and you will see a couple of things in the presentation. But for the most part, we took what the center said seriously to say, okay, what can we do to address this way of, again, improving our efficiencies and mainstreaming our department. So it's really a combination of the two.

It's nothing that we are doing that they would be opposed to. There are some recommendations that I don't support, that I don't think the council would support either. They -- they increase positions. They increase budget and costs with a minimum amount of return in my estimation. So I'm not too sure they want to take everything that they recommended to happen. I don't think you would support that. I don't support. That and the city manager certainly didn't support it. So there's some things that we -- I have no interest in doing. Some of those things I have no interest in doing.

We debated prior to the report being written. When we did a brief -- they didn't interview me. When there was a brief out, I reacted to a couple of the recommendations that they were going to

make and I said that we're not going to support that and they didn't put those recommendations in the report. So I would say there's some things there that are a combination of things that they recommended and things that we recommended and things that we see as true efficiencies and we will move forward on.

Mayor Lane: So even as a percentage, it's hard to determine what -- what kind of value we receive from the study?

Police Chief Alan Rodbell: Well, I will tell you, you get to make that decision yourself, sir. I will tell you, if you look at what the reorg does and the reorg is a direct result of their input, you are looking at the sum of \$750,000 the first year and close to \$1 million the second year and savings. Now you are using that money to pay other things. But the reorg produced that type of savings. I believe this is truly a win/win.

Personally, I think -- I think we are going to have a leaner, more efficient police department. I think we will address many of Vice Mayor Smith's concerns and many of the other councilmembers' concerns and we reduced our -- we reduced budget, that which we can control, obviously expenses go up but we reduced our PCN numbers by 6.4pcns and overall, 11 police officers went from 412 sworn officers in this budget to 401. So I can't give you a percentage, sir, but I think it's a win/win quite frankly.

[Time: 01:13:04]

Mayor Lane: I guess I'm trying to correlate between the study itself. I mean, it's certainly, you know, I will echo the term or the statement that's been made before. It's great to have that acknowledgment and recognition for having a great police department. You know, I'm a believer in that but we -- if we want to do that and spend \$70,000 just to get some accolades that's a great thing. I want to make sure that it's productive and it's a learning experience for you all in the police department.

And when I say that, I think they probably have seen a number of things that you do positively and they will take elsewhere, but nevertheless, I -- that's fine. I'm not sure if I understand the fit issue. I really don't and really to the point of somewhat of a diminishing returns how far you get below that 20 number. Hey, it's great to hang around as citizens but if it, in fact, is taking away from active activity and a proactive basis for other things that we need to be going towards. It's a hard thing to measure and it's something we have to manage. It's a careful area. It sounds like a great thing and there's positive relationships with the general public which is a good thing but on the other hand, sometimes if it's coming at the expense of something that may be even more important. So that's one.

The other is you mentioned that the staffing and the efficiency improved with the staggering and that and you mentioned something specifically in response to the Vice Mayor's question and that was it gave us the occasion to reduce overtime and that overlap period and stagger. And I know there's more than we are visualizing right here and since overtime has been such a significant factor for us, I wondered if there were any recommendations that resolved how we staff for overtime, how we

schedule for overtime, and personnel selection in the overtime process. I know you have tackled this a little bit yourself after, you know, some significant concerns last year. But I wondered if they had anything on that and whether any of that came out in the recommendations.

Police Chief Alan Rodbell: Well, not directly in terms of overtime control, but the recommendations, for example, going to having a night detective squad, was actually an efficiency that would not necessarily -- would make us have to put people on call and pay on-call or call them back in for emergency calls. They would come back in to investigation. So some of the things that they made recommendations may not have been specifically aimed at controlling our overtime because that was not really their mission. We do this, what will this do for us in terms of controlling our numbers? And so, you know, this is very much a conversation that occurred with the people doing the scheduling and making recommendations on our scheduling and talking about coverage.

And so I would tell you that that specific question was not actually addressed as a specific issue but we continually looked at that and saying, okay, what will this do for us and will it improve our numbers? We are interested in putting as many controls and overtime expense that we possibly can. We have been doing that.

Mayor Lane: Thank you, Chief. Councilman Phillips.

[Time: 01:16:29]

Councilmember Phillips: Thank you, Mayor. Well, I for one want to thank you, chief for going through this restructuring. I think you are doing a lean, mean public safety machine here and we have to remind ourselves that public safety is our number one priority. And when we might have a city of 220,000 people, during our tourist season, we have over 1 million and we have to have the staff to cover that. And I have always thought that public safety should have its own department and then public safety tried to make up for some other department.

So I commend you on what you have done and -- and when you say you reduced it by 40 officers that's almost startling to me. It's like, wow, can we really afford that. So I appreciate the fact that you think we can afford that. And I appreciate the fact that you went through this and you have done the best you can to make a good public safety for this city. So thank you.

Police Chief Alan Rodbell: Thank you.

Mayor Lane: Thank you, Councilman. Councilwoman Milhaven.

[Time: 01:17:35]

Councilwoman Milhaven: Thank you, Mayor. I want to offer you my congratulations on an excellent report and thank everyone on your team for the great work that you do for our citizens. It was a fascinating report to read and I have a couple of questions.

And some of it revolving around some policy discussions we may want to have around how we staff the police department and so let me start with the report reflects the fact that we respond to all calls and suggest that there are calls that other municipalities would not respond to or they would ask non-uniformed officers to respond to and it would be less expensive costs and they speak to alarm calls and miscellaneous, the not police related. If he were to -- do you have a sense if we were to batch the kinds of calls that -- match the kind of calls that we respond to that are typically represented here for the municipalities, how many more officers are we employing to provide that greater level of service?

Police Chief Alan Rodbell: I can't give you the direct answer to that, Councilwoman Milhaven. I can only tell you that -- and we can possibly extrapolate some of that data. It was misleading to say we respond to all calls. We don't respond to medical calls. We respond to --

Councilwoman Milhaven: It doesn't say that you respond to all. It says that the police respond to medical calls in other communities they might not respond to a similar number of medical calls.

Police Chief Alan Rodbell: And I do know that there are some communities that do not respond to alarms. I would not recommend that in the city of Scottsdale. You have residents who don't live here year round and they walk out of their houses in May and don't come back until October. I think if their alarm goes off, and then we should stop by and see if everything is okay for them, otherwise we wait for them to come back in October and call us.

Councilwoman Milhaven: There are other ways to make sure that they are safe without sending a uniformed officer. I think it's a question we probably want to ask.

Let me go and move on. The report also says that in addition to responding to more kinds of calls than other municipalities may respond to, we also send out more officers to respond to each one of those calls and I'm wondering if we were to respond in a manner that was similar to the average how many officers could we save?

Police Chief Alan Rodbell: Let me see if I got this right. So they say in their report that policing norms is 1.6 officers and in Scottsdale we send 1.9 officers. Corona actually -- the actual averages by district are up on the board. You can see they are all hovering around 1.6, below 1.9, but as we looked at when we sent two officers for a call, it was after dark. So I've got -- we did a whole study to find out when we were staffing more than one officer on calls, and so that it's skewed to the dark. We are going to send two officers after dark to calls for service. We will make sure that our people are safe. We have more calls after dark than other cities have, but literally that's what skews our numbers. This is a better look of what our current numbers are in terms of officers being deployed for calls for individual service.

Councilwoman Milhaven: I would want our staff to be safe but if we are responding to more non-police-related calls when it's daylight or not daylight, why would we send out more officers per call than other municipalities have? So maybe that's a conversation we might have in the future. And then the other is, we spend more time on calls than the average. Do we have a sense of how

many officers we could save in if the average call matched the industry average?

Police Chief Alan Rodbell: I think what would happen there, Councilwoman Milhaven, we are not spending time doing other things. We are spending time with our citizens. So the category it falls under is time spent on the scene with citizen generated calls for service. I believe what we are doing by reducing the patrol positions we will move that number, to see if we actually made a change there. Remember, the number in terms of the officers' actual free time it much lower than what the average free time is for officers in other jurisdictions. We have it in a different bucket.

But we do believe what we are attempting to do with nine fewer street officers is move that bucket and see if it has any impact on citizens satisfaction and citizens confidence in the police. They are getting their concerns addressed. We will be paying attention to that. That's what we are attempting to do here.

Councilwoman Milhaven: I completely understand the ratio between times on calls and community policing, and paperwork. I completely agree with that, but I think if you go to the foundation of which calls do we respond to? Do we need to send a uniformed officer to that call? Could we respond? Could we save some expense without compromising the quality and so I think I would like to ask the treasurer and the auditor, I know the auditor and her staff look for efficiencies, and ask them to say, can you look at this report for us, and tell us if we were to accept some of the recommendations on the kinds of calls we respond to and who responds to these calls what the opportunity might be for the savings?

I think it's an important policy question to say do we respond to all calls? Likewise, maybe take a look at if we were to bring the response, the number of units sent out to more closely match the opportunity for savings to be there in addition to the average time spent, because intuitively for me, chief, if we respond to a greater variety of calls and more non-police calls, then it won't make sense to me say we need to send fewer people. They are not critical crime and process type of calls and we might not need to spend as much time with those calls. I would love for us to understand what the savings impact might be, as well as what the policy choices are for us that might be impacting that.

[Time: 01:24:34]

Councilwoman Milhaven: And then I have another question for you. If we have the most amazing police department this group has ever seen, why do we need to add to staff? If we don't add -- so what -- right, if we already have an amazing police department, why can't you fill those needs by internal reorganizations? Why do we lose by not adding those positions, if we already have the most amazing police department?

Police Chief Alan Rodbell: Mayor, members of the Council, I don't know if that's rhetorical or not. I can tell you that the report as you read it, adds staff. It adds a lot more staff than I propose and, in fact, it didn't recommend any cuts. So if you take the report it definitely talks about adding positions. You knew there was no appetite for adding positions. So I looked internally at our budget and I said what can we achieve by making some changes and adjustments that would allow us to move that

money for positions that we think are critical and supported in the study -- some of them but not all of them, that I think are critical and stay within our budget and, in fact, create a reduction. So I don't remember exactly how to approach that question except to say they don't recommend cuts. They recommend additions.

Councilwoman Milhaven: It says you can't recommend cuts without changes in policy and I think that's where my other questions came from in terms of policy. When I see the adds, there's no -- right, so there's lots of data around officers but there's not data around why you need to at those specialty groups.

And so I guess since I have already given or suggested the treasurer and the auditor have an assignment, I would suggest that they look at the data around the specialty to see if that's necessary. It's hard for me intuitively to say we will add staff when the report says we already have the most amazing department. Why do we need to add more staff to an amazing department if you need to reallocate resources to be more efficient. I would suggest that you do that.

The other thing that was a little disappointing to me in this study was the Mayor mentioned overtime, last year when we did the budget and we increased the overtime budget because we hadn't been making this and I divided out the number of FTE, that overtime equated to it was a really, really big number and I had hoped that this report would help us identify why our overtime -- whether or not our overtime was in line or not. It's disappointing they don't do that.

The other was special events. I know we justify our staffing levels given seasonal changes and special events and I would sure like for us to find a way to account for that separately so we know how many FTE are we paying for special events or seasonal, you know. In the banking business we don't staff every day like a Friday. And we don't build to that. So I would like us to be able to be more thoughtful around that.

So let me see what my colleagues have to say, but I will be happy to put the sworn cuts through attrition and the budget but I would rather wait and see what the treasurer and the auditor have to say about other efficiencies before we add back anything. Thank you.

[Time: 01:27:54]

Mayor Lane: Thank you, Councilwoman. Councilwoman Klapp.

Councilwoman Klapp: When we had the overtime discussions last year, it seemed that dispatch was a particular problem for you, and I noticed that you are adding two part-time dispatchers. That meant to help overtime situation? Is that the reason you are doing it? I'm not sure what the thought process was behind some of these people that you are adding as part-timers.

Police Chief Alan Rodbell: It's to help with coverage, shortages and overtime, yes. There's a position for the sieges, it's the records personnel that sits in communications. We have only one person there. They do warrants and wants and other research through the computer system for

officers on street. We have one person there. And we have one person for a 24/7 operation, requires dispatch to then go over and do that work as well. So we are looking to increase that as well to increase some of the cost and coverage issues as well.

Councilwoman Klapp: Would you put up the last slide, because I don't think you ever got to talk about it and that refers to the part-time people you are adding and the people you are eliminating through attrition.

Police Chief Alan Rodbell: That's it.

Councilwoman Klapp: I guess I don't share quite the same feeling as some on the Council. It seems to me that for \$70,800, you have found a way to find some significant savings in a reorganization plan. And it does add some people, but it also leaves people -- it reduces people as well. So you have a total reduction of 6.4 people and you have explained to us how you are doing this and it's in response to the study. So I think overall, that your response to the study has been a good response. And so I congratulate you for what you are doing to make the department more efficient and I assume you will continue to look at that with any other recommendations that maybe haven't been implemented, am I correct, and perhaps implement them if you can.

So it seems to me that one of the things you mentioned to me and mentioned to all of us is that you did more community outreach than some police departments and less down time or paperwork time or whatever you want to call it. I think that's a good thing. Just for the city of Scottsdale, one of the comments that I get from people in the city is that there is an interest in police officers talking with citizens. And I think that's good for the city of Scottsdale. So I don't necessarily want to reduce that community outreach time.

Maybe a little would be helpful as you suggested, but I think that's what makes this city safe as well. It's not just policing. This is all part of policing in my estimation is the community outreach. It's a proactive way of finding problems and resolve them so that maybe you don't have those problems in the future. That's the way I look at the community outreach part of what the police department does. So I appreciate that and I think the citizens appreciate that.

And if there's some way you can be a little more efficient in the amount of time that's spent on that, oh, well, but still, that's why we are recognized as a good police department because the amount of time we spend on research and resolve issues that could potentially become worst, and they could fester and be other problems that you have resolved through that conversation with citizens. So I commend you on that and I believe the citizens like that too. They are contacting you and they need help and they want discussion with the police department. That's what makes us a good police department. So I would say continue that.

That's my input on this, that I believe you found ways to be more efficient. You are recognized as being an excellent police department. You are trying to find ways to improve and you will continually improve. So I commend you for the results of the study and I think we have a bargain for \$70,800. So thank you.

Police Chief Alan Rodbell: Thank you.

[Time: 01:32:11]

Mayor Lane: Thank you Councilwoman. Councilwoman Littlefield.

Councilwoman Littlefield: Thank you, Mayor. Well, I also would like to commend you, Chief. I think you have done a fantastic job in looking at what the study recommended and finding your way through it.

The items that I see listed here, the positions that you are adding are exactly the positions that we as a council discussed several months ago that needed to have some more people on it. We were always short of dispatchers they were running overtime. It was part of the overtime problem with the police and that this seems to be an attempt, at least to take care of that problem and to relieve the dispatchers from having to do overtime work and have long hours. That's a very, very stressful position of and I think that's a very good thing to do.

You also solved some of the problems I see here that we have been discussing, again, over the past year, with the records specialists and the parking control in the downtown area as we put in more and more controls in our downtown parking, we need to have the people who will enforce that and be able to make sure that the rules are being obeyed. I see that that will be happening.

I do have one question for you, if you could. You have reduced ten sworn police officers through attrition. Do you have any estimation on the timeline for that?

Police Chief Alan Rodbell: We do and, of course, it depends on so many different variables but we have a number of officers that are due to retire. And so we think we will be probably by the end of August, we will have those ten positions attritioned out. We do believe it will be the end of August.

Councilwoman Littlefield: Okay. Thank you. I would just like to reiterate that I think this has been a very good start and a very good response to the study. And I think it will definitely make some positive steps in solving some of the problems that we have discussed before and make a much better tighter, police department for Scottsdale. Thank you.

[Time: 01:34:22]

Mayor Lane: Thank you, Councilwoman. Councilwoman Korte.

Councilmember Korte: Thank you, Mayor. So Chief, the 64 plus recommendations by the consultant, I think the Mayor asked, could you give me an idea of which ones you are going to be considering. For example, out of Chief's office, they suggested creating a management supervisor and line level staff to explore the use of civilians in the department. So I would like to have a better feel for these recommendations that you feel are relevant to Scottsdale.

Police Chief Alan Rodbell: Mayor, members the council, Councilmember Korte, there's actually a document that will show you -- give you all of that information almost by recommendation. And it has not been sent to Council. I will send it to Council and we can post it as a document but it literally goes down the line of what each of the budget items that we are asking for in this budget and the reorg and what we would be looking at through strategic planning in the future and what can be done immediately. I don't have that with me. Unless you have it over here, I could put it up on the projector, it's a lengthy document. It would show you the detail. How would you like me to do that?

Councilmember Korte: I would appreciate an email and I'm sure the Council would. I would think the Council would like to see those points that you consider valuable recommendations to adopt. I'm not sure how to do that, but I think that's important to show not only us but the public.

Second and I have been looking through the recommendations. It was a lengthy document, as we all know. As far as an overview and best practices of upper level administrative structure of the police department and the number of assistant chiefs and all the deputies. So we're -- was that structure evaluated against best practices, across the country in similar sized cities?

Police Chief Alan Rodbell: I do not believe this study looked at that. I will tell you that we are structured very much like other cities of our size. We have actually downsized our command structure in the past. This reorg doesn't deal with that. If they had an issue with that, I'm sure they would have made a recommendation.

We are one of the few organizations that has a civilian chief in our management services bureau, the administrative services bureau. Most have all sworn officers. We are unique that way. That was not part of the recommendations and they decided not to discuss it because it's pretty much standard.

Councilmember Korte: So in concluding, I commend you for bringing forward this reorganization. I just -- I -- I'm just thinking that perhaps we can just go a little bit deeper and -- and in that effort, I would support kind of a deeper dive with some charter officers whether that's the treasurer and the auditor, whatever that structure is to get that data and see the amount of time that we spend with the public and the value of that in the whole trust issue with the police departments and the police officers but also serving the public in that we are not wasting tax dollars.

Mayor Lane: Thank you, Councilwoman. Councilwoman Milhaven.

[Time: 01:39:06]

Councilwoman Milhaven: Yes, I just want to respond to some of my colleagues and be clear that I'm not talking about reducing the level of service our citizens receive.

Let me read from this report on page 108. Certain types of calls could not necessarily require the response of a sworn police officer. Responding to false alarms motor vehicle accidents involving only

property damage the police role is largely administrative in preparing and filing reports and the indiscriminate of officers going to a medical call, it results this next watching a patient being loaded into an ambulance. The number of dispatches to officers could be eliminated. It goes on in the alarm section and says the response to an overwhelming majority of these calls is undoubtedly unnecessary and inefficient use of police officers. For automobile accidents it repeated arguably most of these calls are administrative in nature and do not result in response of a sworn officer. It talks about medical. The overwhelming of these medical CFS are routine where the officer is minimal. And the misapplication of valuable police resources. And miscellaneous these are usually calls not criminal.

I'm simply suggesting that it's worth our time to review what calls we are responding to, whether it's really necessary to use sworn officers.

I will make a motion to direct staff to include the chief's reorganization in the budget but not to add any additional positions until we can get an update from the charter officers taking a deeper dive and cuing up a policy decision around what kinds of calls do we want to be responding to, who should be responding to them and how many folks, what kind of policy we may want to have around and how many people we dispatch and some time frames around how much time we spend on calls.

Mayor Lane: I will second that and I will go ahead and speak towards something that's relevant to the motion that's on the table.

[Time: 01:41:25]

Mayor Lane: Number one, I think really, some of what I tried to extract a little bit is what the 64 suggestions or recommendations were and how do we quantify them and I think what Councilwoman Milhaven has suggested and I fully agree that I think we at the very least need to quantify what this -- what the value and what the cost of this is, versus whatever advantage that might be seen by the department in continuing some of these statistics that has been indicated by the fit number. It doesn't necessarily reflect poorly because on the department chief and I would want you to know, I think -- and it was another comment that was made and I thought about the very same statement and that is this is an outstanding department, and when they actually called me to talk to me about the department and that, they spent a good portion of that interview, if you want to call it that. It's expanding on the greatness of your department and they have not seen a department as thorough and professional as you are and I think you know that I believe that too and I have so stated many times but that doesn't mean that we continually critically look at what we are paying for levels that may or may not be lending themselves to the positive advancement of the police department.

So I think the idea that, number one, going ahead with what's been budgeted right now, with the exception -- and I shouldn't say with the exception what you are doing in the reorganization and then with the exception of possible adding of folks, the attrition plan that I think you got indicated is probably something that needs to be followed through on, but at the same time, I think we can take the time and if it is part of this motion, we're talking for direction at this point, is really to say that we would like to and that, of course, we will have a vote on this. But we would like to see this further

analyzed by the city auditor, rather and finance department to make it -- to at least quantify what we are talking about here. I think that's an important component. And a full analysis of the recommendations and what they might be able to add to the equation for us. So with that, that's my second.

So motion has been made and seconded. There are a couple of comments that follow and then we'll call -- well, Councilman Phillips?

[Time: 01:44:06]

Councilmember Phillips: Okay. Well, I won't be supporting the motion. I will tell you why. You know -- and I'm sure the chief can expound on this if he wants to, but given any period of the day when we have police officers out on the forest and they get a call that we think is unwarranted, what do you want them to do? They are out there anyway. They can go do that or sit at the doughnut shop. So unless they have something more important to go to, let's let them respond to that call. They are already out there. Its not like he's calling and saying, hey, we need an extra officer and paying overtime for this unwarranted call. The guy is already there.

And then to say that the chief has not already looked at everything as hard as he could and then find ways to reorg the department, that he needs to have a special audit to make sure that he's doing the right thing. To me, it's almost embarrassing to bring this up. So I will not be supporting this motion.

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

[Time: 01:45:07]

Vice Mayor Smith: Well, I will be supporting the motion, only because I think reiterating what I said before, it's -- your budget is the most significant budget that we have in the city. I mean, when we talked about saving \$340,000 to the average citizen, that's a lot of money, but it's three-tenth of 1% of your budget. I mean, you have \$100 million budget. And it's certainly my hope that you in working with others can find greater efficiencies here.

I agree with everybody. I think that the public outreach is important and valuable. But the citizens give us X amount of dollars to spend every year and they make a demand that we provide libraries and parks and senior centers and all manner of services and frankly, the citizens don't ask for public outreach. They ask for public safety and I just want to be sure that we give them public safety as you have in the imminent degree but that we give them as many of the other services as we possibly can as well. So I will be supporting the motion. Thank you, Mayor.

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

[Time: 01:46:39]

Councilwoman Klapp: Chief, did you -- did you address any of those issues that were brought up in

the section that Councilwoman Milhaven read? Did you address any of those in that lengthy document that you said you put together about the recommendations and the ones that you adopted and the ones you didn't was that on the list of all the other 64 recommendations and did you address those particular areas of concern?

Police Chief Alan Rodbell: Mayor, members of Council, Councilwoman Klapp, I could give a whole lecture into what that means. That's the hard part here. The recommendations where we sent officers to calls for service, that perhaps they don't need to go to. They are called by a fire to assist or there's some suspicious reason or there's suspicious evidence on the scene, or if we are close, if we are close, we ought to be responding to render aid.

Deciding not to respond to accidents in our city would be, I think, a huge disservice to our community. You don't know if the car is blocking the road. You don't know if the people are fighting. You don't know if anybody is injured. Everybody has a cell phone. The calls come in. People don't know if anybody has been injured or not. You have to go there and check those things out. You don't have to spend all day there, but the car is out of the road and the traffic can get around. You want -- so there's a -- there individual reactions to all of that.

Again, I mentioned alarms. I think it would be a big mistake that you have to have a second reaffirmation that an alarm. If someone has broken into the house. We are not verifying that they are broken into and they are gone. They may still be there. There are a number of nuances and dimensions there at play. I have got no problem with looking at service levels and the things we can cut and the things we are to civilianize. We have been civilianizing. In fact, part of recommendations we create civilian positions out of sworn positions and those recommendations in the report we have supportive and I want to move forward on.

They recommend hiring cadets. Well, cadets cost money. They are PCNs. They provide some services but they didn't provide the same services as an employee that can do other things besides just be a gopher and do clerical work and that type of things. I don't support that. There are some things as mentioned in the report that we are not -- we don't -- I don't think it's a good use of fiscal resources. And so there's a lot there.

And so, if, in fact, you want to delve deeper into the data. I'm not too sure I'm the best person to debate or present the data that was -- that was looked at and the decisions and recommendations are made from. I have think should you probably invite the Center of Public Safety back to present their own findings and have that discussion.

I can only tell you that as we looked at it, in those statements, which aren't necessarily deep statements, it's okay. What kinds of calls for service will we reduce that, one, we are not out there anyway or two, it doesn't have some police Nexus when we get there, whether it's a possibility of a confrontation between two people and a civil matter. We go to a lot of civil matters. They are not police matters but people are getting angry at each other. We have to split them up and tell them how to get the service that they need through the court system or otherwise through an attorney.

But to sit there and say we are not coming, I think is a huge mistake. It doesn't mean that there is not some part of that, some level, some kind of call for service that we can say, yeah, you are right. That's not us. Call somebody else first.

But, you know, the police department, we are government, 24-hour government. People call us in the middle of night when there's a hole in the road. We don't fix holes in the road. But somebody might go into that particular pothole and destroy their tire and their axle and create an accident. So they call us and we go out and we are the ones that responsible for that. We could say, you know, what we are not transportation. We don't do holes in the road. Call somebody out. They can go get a truck and get some asphalt and fix the hole and we will go about our business doing other things.

There are so many moving parts and I just don't know that the narrative is deep enough and detailed enough for me to say, you know what, you are right. We shouldn't go to alarms. We shouldn't go to medical calls. Suicides are medical calls. Murders end up -- start out with a medical call. People walk in and find something. That's a medical call. That's what we respond to. We are not responding to all medical calls. There are some investigations on some level. They are called police aids.

So, again, I could give a lecture on this. I don't mean to do that. I'm certainly willing to do whatever was suggested to delve deeper into the data and, again, still more efficiencies. I never shun from looking at more efficiencies in our department.

Councilwoman Klapp: I'm not supporting this motion. I feel you are the Chief. You run the department. You analyze the information. If the council wants to look at some other information that is in this report and do some other investigation and some suggestions on further improvements, that's okay, but I don't see we'll take all the people that you will eliminate but we won't let you add anybody. I mean, that -- I think that is somewhat of an insult to the reorganization man you have put together.

So the way that the motion is made, I would not accept that. I think that we have to rely on you as the chief to give us your -- your best advice on how to implement the information that came from the agency and -- and I think you have done that. There may somebody other things that can be done and maybe some of that can be investigated by the auditor. You know, I don't know how long that takes -- I don't want to hold up the entire reorganization because of that. That's the reason why I would the no be supporting this. I think that we are trying to micromanage the police department and I'm uncomfortable with that.

Mayor Lane: Thank you, Councilwoman. Councilwoman Littlefield.

[Time: 01:53:28]

Councilwoman Littlefield: I also will not be supporting this for many of the reasons that Councilwoman Klapp just mentioned.

If you take the screen back to the page that says CPSM findings. I think it is two or three screens back. Yes. The three bullet points there, right at the top. "The Scottsdale police department may well be the finest police agency CPSM has assessed." That's a pretty strong statement. This underscores the dynamic nature of the department and the willingness to constantly examine better strategies to improve its organizational effectiveness.

"These recommendations present opportunities to build upon the strengths of outstanding organization by offering additional steps that might be taken to improve operations." I read that to say that at the analysis of the chief and his subordinates. In the past, I have to say this analysis of our police department has to be at least in part due to the management staff. To the chief and his executive officers on how they run the police department. They are analyzing all of these things constantly, and they have been done and you can tell from this report they are doing a very good job.

We have to take at least some credit for allowing him to do his job and using his professional knowledge and expertise in saying what we need and what we don't need. And to sit up here and say, we know better is really a little bit over the top.

I'm not saying that these efforts should not be continued and should be analyzed on a regular basis. That's true, you don't ever just stop and say, this is it. No more. Every year. Every day things come up. You look at it. You study it. And that's what this police department is doing. And to the benefit of all of us.

I can't agree, as Councilwoman Klapp said, to cherry pick what he says we need to do to improve our police department. Well, we can cut out all of these officers but we won't add the ones we say we will need. We will just let that eight. I can't approve of that. I won't be supporting this. I believe that we need to have some reliance on the advice and the recommendations of our officer, Chief Rodbell and his people who performed this analysis and I will go with that. Thank you.

[Time: 01:56:27]

Mayor Lane: Thank you, Councilwoman. You know, I just want to add a little bit to my position on this. Number one, this is not a struggle with any -- any complaint about the police department at all. And it's not a matter of us telling you that we know better. It's a matter of using the resources the city has at hand to analyze and evaluate these things as best as possible. And for us to really take a look at what the assertions might be as to the benefit of some of the costs that we incur by having people stay on calls longer than even the industry average suggests. So it's just -- it's a matter of analyzing this the best we possibly can.

You know, we took a significant leap this last year, in instituting a significant percentage increase on a step program to have one of the -- it's one of the finest police departments with some of the finest members being paid the best in the valley and on a continuing basis. So it really is incumbent upon us to make sure that we are using those dollars as best we possibly can for the citizens as well as for our police officers. So I'm -- I firmly believe that this process is not a matter that we will find something, but we may -- I should say maybe those folks the other resources will look at these things

and quantify them and come back and let's evaluate some of those things and that specifically goes to the fit element, I suppose on the one hand.

You know, it's not a choice, as far as I'm concerned when we talk about the number of officers on call because we have all had experiences where somebody looks around and says, wow! We've got a lot of folks on that call. What has happened in the rest of the city? I mean, I hear this frequently. That's not a derogatory comment, because I don't always know, but that's the kind of thing that we definitely need to look at. And if it's a choice between being on a call, staying on a call longer, versus a doughnut shop, well, you know, that's an easy one for me. I would rather they stay on the call, but I don't think that's the comparison we are talking about. We are talking about the protection of the community on the overall on patrol. So that's the comparison that I look toward and I think we are trying to evaluate.

I do support the motion as I have already said but nevertheless, we do have one further comment on that, and that's from Councilwoman Korte.

[Time: 01:58:54]

Councilmember Korte: Thank you, Mayor. And chief Rodbell, please don't misunderstand my support for this motion of questioning your leadership abilities. This isn't what it's about when we are looking at a \$99 million budget and your financial -- or your reduction is about \$340,000. You know, that's less than a half a percent of that budget and I just think that there is enough data that is, perhaps, not on the surface of this report that we have received that it deserves a deeper dive. And it deserves a deeper dive because these are taxpayer dollars.

I -- I'm not a consultant. I don't know either -- I don't know how to run a police department as you do. But I do answer to our taxpayers and I think this is an important process for this city to move forward with.

So with that, I call for the question.

Mayor Lane: The question has been called and a second on that. All right. I will leave it as that, as the question has been called. And there's no further comments here. But we do have the motion and a second on the table, as has been announced. So we are now ready to vote. All of those in favor please indicate by aye. Those opposed with a nay. The motion passes 4-3 with Councilwoman Littlefield, Councilwoman Klapp, and Councilman Phillips opposing.

Thank you very much, Chief. I appreciate it. All right. So moving right along. We have Mr. Worth, public works director moving to the podium. Capital improvement plan.

[Time: 02:00:58]

Public Works Director Dan Worth: Good evening Mayor, members of Council. I have four slides I'm going to share with you. A lot of information is very familiar, we discussed it on January 19th and

March 1st. What I intend to do tonight, hopefully avoid repeating a lot of detail that we already discussed at the earlier sessions and highlight the differences from what you saw on March 1st in particular how we propose implement the direction that you gave us at that time.

The first slide shows the sources of funding, the transfers that we anticipate from the general fund into the general fund CIP this year. The first two numbers are your adopted financial policies, the 25% of construction sales tax, and the net interest earnings in excess of \$1 million which Vice Mayor Smith was alluded to earlier this evening the third line is the result of your direction and operating budget discussion in January to begin the first year of a three-year phase-in of moving the general fund portion of the sales tax on food into the CIP. And then the change from what we showed you on March 4th would be the unreserved fund balance. Ms. Doyle alluded to that earlier in they are recommendation. We are recommending a transfer of additional \$5 million ever unreserved fund balance into the CIP this year. This highlights the new improvements which are different in the previous two.

First the general fund group and I will begin all of these projects are from the priority list of unmet needs that we discussed at the last meeting. In the general fund, the top two downtown public rest room on main street and downtown lighting and electrical outlets, those were two projects that were on that list of unmet needs that we moved up into the proposed budget as a result of injure direction to invest more in downtown. These were the projects that have been through the prioritization process that did that.

The remaining four are all basically reinvestments in existing facilities and systems that are nothing that's dramatically new, but they are all very highly ranked on that prioritized list. They are taking care of existing assets. There's safety issues that we want to address at the Scottsdale Stadium, security, the system that we use, our closed circuit TVs and the access in the city buildings and the facilities is dated, obsolete and becoming -- beginning to become a greater risk.

The McCormick Park reservoir removal.

[Time: 02:03:54]

Mayor Lane: Excuse me one second. We have do have a question that might be on an earlier point. Councilwoman Korte.

Councilmember Korte: Thank you, Mayor. Mr. Worth, on the downtown lighting and electrical outlets, exactly where in downtown are -- is this project going to occur?

Public Works Director Dan Worth: Councilmember Korte, this has two components. One is pedestrian lighting, street lighting along Marshall Way from Goldwater in the south up to First Avenue in the north, in particular, that's going to better connect the Museum with the gallery on Main Street. It's a segment of the art walk circuit and the other part of this is relation to the -- the -- whatever that festive lighting, the strings of -- the smaller lights that we have crisscrossing over the streets on Main Street, Marshall Way and some other portions of the downtown. That has all been done

incrementally over time, over several years a lot of it is substandard and needs to be replaced with something that's designed to be permanent and to actually carry the load safely so this has both of those components.

Councilmember Korte: So for clarification, for our citizens who are paying the money to fund this, this is all in the gallery area and Marshall Way and Fifth Avenue merchants? Does it go down to Fifth Avenue? Or does it stay south of Indian School?

Public Works Director Dan Worth: The improvements to that festive lighting is going to be everywhere that we have it, which includes Fifth Avenue.

Councilmember Korte: So I was sitting in the Tourism Development Commission meeting today, and through bed tax dollars they are funding a portion of this, along Marshall Way. Help me understand the difference and why we're splitting the path water here. The initial request had larger amount of money than what is funded in here.

Public Works Director Dan Worth: We broke it into two different pieces, an operating budget piece that was more maintenance type work and then this is for the festive lighting, it's the back bone carrying the conductors and the transformers to bring it to the right voltage for the lights not the lights themselves and then the pedestrian lighting. So this is the portion that fits the definition of the capital projects.

The bed tax funded piece was also mentioned in the operating budget presentation that Ms. Doyle made that was removed from the original request. They go hand in hand.

Councilmember Korte: Well, not to get too deep into this, one of the questions brought up by the tourism commission, that these outlets will provide electricity for events, musicians, you know, sidewalk performers things like that, correct?

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

Councilmember Korte: And one of the issues was whether it was 120 or 240-volt and I assume that as this moves forward on the project that you will consider the need for 240-volt in this project.

Public Works Director Dan Worth: Yes, absolutely.

Councilmember Korte: Thanks.

Mayor Lane: Thank you, Councilwoman. Mr. Worth, you can continue.

[Time: 02:07:29]

Public Works Director Dan Worth: I believe I was at the McCormick Park reservoir removal. That's the McCormick Parkway. There's a water reservoir in the middle of the parking lot and the

community services department has been looking for a way to remove it -- it's no longer needed. No longer in use. It just costs money to remove it. It's never floated to the top of the priority list. Obviously we gain parking which is in very high level of need at the railroad park. This didn't rank as high as some of the others but we hope to take advantage of a development that will be under construction nearby, where we can reduce the cost. This basically is a large part of the cost of this project is filling the hole and we hope to get some fill material from a nearby project to reduce the cost. So we want to take advantage of that opportunity.

And then the last item is the license and permit management system, again a reinvestment. This is a financial services information technology project. We manage 30,000 licenses and I think it's about \$3 million of revenue that those licenses and permits represent and this is going to enhance our ability to accurately measure that and ensure we get the revenue that we are due.

On the transportation fund, two new projects and the third thing that you don't see on here was also direction that you gave us, the two new projects. You gave us the same direction to invest in more in downtown. The downtown sidewalks improvement project was a project that was on a proposed bond list. This is a \$4 million project. It focuses on improvements along that Marshall Way corridor and along two east-west corridors main street and second street largely implementing results that -- of a study we did about eight years ago and we are looking to implement ever since. And the connection, this is Second Street from Goldwater over to the Indian Bend Wash. It will be a connection for the bicyclists between downtown and the Indian bend wash. And then the third piece of direction that you gave us was how we came up with the money by the removal of the Happy Valley Road project that we had in the proposed CIP when we talked to you.

I apologize for the microscopic font size. I think I can talk you through the key things here. The only change in the revenue portion at the top is the additional \$5 million fund balance and we are proposing we add it for '15 '16, and then more in '17/18. You can see the other sources of funding, the two pieces related to the financial policies and the three-year phase-in of the food tax from the general fund are all reflected in the five years of the five-year plan.

If you look at the projects, the asterisks on the far left are all changes from the existing CIP. And so you get to the bottom of the chart, most of those are not really substantial changes. Seven of them are just taking and adding a fifth gear for those pro --s for those projects that we revitalize, the major capital improvements, the police radios and you can see all of those have funding in each of the five years of the five-year plan, it's a change to add that fifth year. Three of those asterisks priority unmet needs that we talked about previously. They came off of the previous bond list, the data center resiliency aquatic chemical and the Indian bend wash innovations. Two of the asterisks are the new projects the restoration of the site following the removal of the WestWorld tent and the regulatory compliance, driven, the microwave radio upgrade and the last six are the those on the previous slide that we are adding since the March 1st discussion. The bottom line, literally, the bottom line on the chart, we have a positive cash balance anticipated at the end of each of the five years in the proposed CIP.

Mayor Lane: Sorry Councilwoman. Councilwoman Milhaven.

[Time: 02:12:22]

Councilwoman Milhaven: Thank you. On this schedule, it's saying the project Pima road, Pinnacle Peak to Happy Valley is half million dollars this year and \$1.4 million next year. When I dig into the detail of the capital plan, it's saying '16/17 is 3.5 million and '17/18 is 4.5 million and there's another place where it hooks like there's -- looks like there's an out project. Can you explain what that project is here and why there might be a difference to the detail in the -- in the program description?

Public Works Director Dan Worth: Councilwoman Milhaven, I was thumbing through the slides to the get the C.I.P. where the Pinnacle Peak to the Happy Valley Road project is listed. These are the transportation fund portions of those projects. Some of these projects have funding from other sources that aren't necessarily a reflection on this slide. Pima Road project is one of them and sorry I didn't catch all of your question. I hate to make you repeat it.

Councilwoman Milhaven: No, no, that's okay. We have, like just in the current year it says a half a million dollars, I think you might have answered and then the detail here in the transportation capital plan, it says in '16/17, at \$3.5 million roughly. So what you are saying is that \$3 million is from other sources?

Public Works Director Dan Worth: That's likely what you are seeing here.

Councilwoman Milhaven: Like what?

Public Works Director Dan Worth: That project is a MAG funded project. So we are not going to show the MAG Proposition 400 component of the project this just shows our local transportation sales tax contribution.

Councilwoman Milhaven: Why is that a priority project?

Public Works Director Dan Worth: That was not anything that we added this year. That went through the prioritization project at least a year ago, if not long ago. It's driven by the existing master plan. Of course we are reviewing the master plan but that came out as a priority project in the 2008 master plan. Made it into the implementation matrix. And made it into the MAG life cycle program and it's been following that process until now.

Councilwoman Milhaven: I hadn't noticed that before now. You are probably right. Thank you.

Mayor Lane: Thank you Councilwoman. Councilwoman Korte.

[Time: 02:14:53]

Councilmember Korte: I will go back to the general fund budget. On the WestWorld tent removal, was there not some discussion that -- around cleaning that up for a year until it's life was expired so to

Speak?

Public Works Director Dan Worth: Councilmember Korte, we are going to be bringing an action to you on May 3rd, a proposed agreement between the city and Barrett Jackson to allow the tent to remain in place for one or possibly two additional years if we are not able to find a buyer for it. If we are able to find a buyer for it, and we are still advertising it for sale, then actually our advertising period -- the current extension of that period closes the day before we are scheduled to bring that contract to you for approval. So if we are lucky on May 2nd and we have a buyer we won't be bringing that contract to you for approval. If we don't have a buyer, the -- the item will come to you for consideration. We would get a payment from Barrett Jackson each of the two of the years if we are to retape the tent. I will explain that at the time, but we need to leave this in the budget in the eventuality that we do get a buyer and we do end up selling it, we will need to restore the site so we can use it for events.

Councilmember Korte: Thank you. And last I want to compliment you and thank you for including the McCormick Park reservoir removal. It will provide like 64 additional spaces, something like that and that's critical for that park. That is, shall we say the most loved park in the valley. So thank you for that. I think it's a creative solution.

Mayor Lane: Thank, Councilwoman. Councilman Phillips.

[Time: 02:17:02]

Councilmember Phillips: Okay. Dan, this is going to shock you but I think this is pretty good budget you've got. I know. I know.

But -- and it's not a big thing, but when we do the hazardous waste disposal, does that cost the city money?

Public Works Director Dan Worth: Councilman Phillip, our household hazardous waste events that we occasionally hold?

Councilman Phillips: Yes.

Public Works Director Dan Worth: That does cost us some money. We fund that out of our residential solid waste program.

Councilmember Phillips: Okay. Because I was wondering if we could maybe up that, you know, do maybe a couple more a year because I did participate in the last one and the line was easily a mile long. So I don't know if we have it in the budget to be able to add a couple more of those but I think this is more important.

Public Works Director Dan Worth: We will certainly look at that. We have been piloting a program where we can go and pick it up at the residence by appointment and we are seeing positive results

with that as well. We are looking at some alternatives.

Councilmember Phillips: Thank you.

Mayor Lane: Thank you Councilman. Vice Mayor Smith?

Vice Mayor Smith: Thank you, Mayor. Dan have we allowed you to finish your discussion? Have you finished your slides.

Public Works Director Dan Worth: I was going to briefly talk about this last one. The asterisk on the left are the changes from the existing CIP. Nine of those are changing the year for the programmatic for the sidewalks and trails and intersection mobility enhancements and other things like that. One of the second year of a two-year project that we started last year for our signal infrastructure.

One is actually no change from the existing CIP for the transportation sales tax funding but it's a change on the MAG portion of it, that's the range-free Scottsdale to Hayden project. One is new, we discussed the possibility of buying a piece of land for the storage yard for our streets department and then the last two items at the bottom are the downtown projects that we added in response to your direction on March 1st and again I was going to point out the bottom line, we have a fund balance of your transportation fund, CIP that's positive balance in each of the five years.

That is everything I planned to present.

[Time: 02:19:35]

Vice Mayor Smith: I wanted to give you a chance to finish. I want to echo some of the comments of the other councilmembers that I like the investment in the downtown tourism area. And also as Councilmember Korte said, I commend you for figuring out an innovative way to take care of the big old hole at railroad park in what I think will be a cost effective way.

One thing that might be helpful for me to understand and then if I need to understand it, probably the public at large, but you have two slides that in total show expenditures next year of about \$55 million. Roughly half the amount in the general fund and half in the transportation. And I know that the city manager's letter to us is a letter of transmittal with the CIP budget said next year we are going to spend \$251 million on capital improvements.

Can you share with us -- I mean, I think I know what the reasons are a lot of it is in the water department. A lot of it is potential preserve spending, whatever. But frankly, I couldn't even in the -- I can look in the detail and find budgeted money next year of \$600 million but I could only find a single item there that said, by the way of the \$600 million budget we are going to spend 251, but I couldn't find out what we are going to spend it on except these two schedules.

So over to you.

Public Works Director Dan Worth: Vice Mayor, you hit hon a couple of things where there's substantial additional spending additional to the general fund and the transportation fund. Our enterprise funds primarily, the water fund has a large portion of that additional spending. The other thing that is not reflected on either of these two charts is other funding sources that we get to help leverage our dollars our general fund dollars and the transportation sales tax dollars. That would be money we get from MAG and federal government grants. We will be considering federal government grant acceptance later on this evening, as a matter of fact, for three projects. And county flood control district contributions and we do have a rather large project on the general fund side with both the significant county flood control district and a significant Salt River Pima community contribution and those all go into the budget.

They are all part of our total CIP budget but I'm not showing those numbers up here because we are just focusing on the -- those two variable funding sources that are tax driven, the transportation fund and the general fund.

Vice Mayor Smith: Well let me suggest then when we come back with the tentative budget or the final budget or -- at some future point in time, that someone do a brief reconciliation because we have this statement hanging out here that we are going to spend \$251 million on capital improvements. And I think it would be helpful to -- for people to see that, you know this much is CIP general fund. And this much is CIP transportation, and this much is water and this much is matching monies and so on and so forth to just get back to that number.

[Time: 02:23:09]

Vice Mayor Smith: A related question because really where I was headed with my own inquiry and my own mind was to satisfy myself that we are either are or are not going to be investing enough money into the depreciable assets of this city to avoid yet another year of decline in our net asset values. The phenomena which I refer to as an unsustainable budget. Do you have a sense or more than a sense. Do you have an exact notion of whether we'll approach \$100 million of reinvestment in our depreciable assets which thereby match the depreciation next year.

Public Works Director Dan Worth: Whether get to the \$100 million mark, obvious letter with not showing that level of spending on these two slides but we are showing the other funding sources. Does it get us to the \$100 million mark? Whether or not that's the right mark to consider, most likely not. We are still -- we still have a growing list of unmet needs. I will remind you when we discussed this on March 1st, just on the general fund side, we had \$87 million worth of identified prioritized unmet capital needs on the general fund CIP side out of that \$87 million, we moved five into the funded side.

Vice Mayor Smith: Well, perhaps then the city manager can at the time the tentative budget comes back to us make a statement as to whether the expectation that we will or well not experience yet another decline in the net depreciable asset values of the city.

City Treasurer Jeff Nichols: Mr. Mayor, Vice Mayor Smith, we will do that analysis in my office and we will bring it back to discussion.

Vice Mayor Smith: Very good. It's not a question. It's a comment. I want people to be aware and appreciate what we have done in moving these monies in the sales tax on food to the general -- from the general fund, the 1.1% sales tax on food into the CIP. It has certainly been and will be in the years to come a bonanza for you. I said at the time that we moved this money in there, that it was -- I was embarrassed to make the motion and support the motion, and I did it only to wean the general fund off the use of this money. And the good news is from looking at the general fund budget for next year and the four years thereafter, it appears that they have successfully weaned themselves off. So mission accomplished in that regard.

I do hope that we will consider in the years to come weaning the C. I.P. budget off of this money and finally returning this money to its rightful owners which are the citizens of Scottsdale. What we have transferred from the general fund to the CIP budget to this year is the equivalent of \$10 per citizen in sales tax paid on food. And for an average household of 2.6 members per household which is our number here in the city, that's \$26 for every household that has now moved from supporting the general fund to supporting the CIP fund. Next year it will be 52 and the year after that, it will be \$83 per household. This is money that should be returned to the citizens. It should never be taken from the citizens.

And I will be urging us in the years or the months to come to now wean you, Mr. Worth off of this money that we have the general fund weaned off of it, but thank you for a very clear recitation of projects and a good budget.

[Time: 02:27:31]

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

Councilwoman Littlefield: Thank you. I would just like to echo the comments. Thank you for the presentation. I think it's very clear and very well done.

I would also like to echo Vice Mayor Smith's recommendation that if you can possibly see your way to do this, to could a reconciliation or Mr. Nichols for all of our CIP functions and sources of funding for them and the reconciliation and the overall funding for all of it.

Public Works Director Dan Worth: Yes.

Councilwoman Littlefield: Thank you.

Mayor Lane: Thank you Councilwoman. I add my comments that this is a nice portrayal. I'm pleasantly surprised as the reallocation and the changes from the previous discussion with the council, as far as the -- from the general fund and from the transportation fund. I think that's a nice portrayal of a reallocation and I'm only presuming that, frankly, and I'm counting on the fact that we have got

our significant bases covered. We are able to do this. So I think this is -- this is nicely done and nicely portrayed and frankly, it is a positive reflection on some of the moves we have made here but also what you have been able to do with it. So I appreciate that.

I do have a question a little bit along the line of, you know, when we talk about just balance sheet numbers of depreciable assets and accumulated depreciation and where they may stand, you know, I realize that those are just numbers on a balance sheet. And there's a very different component as to fully depreciated assets that still have continued useful life. I wonder in this portrayal if I could, Mr. Nichols if I could just ask that in this portrayal that there's some way that we can show not only the assets, the accumulated depreciation on those assets but how by continuing maintenance and frankly adds to the -- to these assets, as to what -- what is the anticipated useful life on it?

I know we do resurfacing. We do various other things that add to the useful life significantly. I'm wondering just to make sure that we are not just playing with the numbers. I'm all for reinvesting in our infrastructure. I think it's been a problem for a lot of communities that have lost their way on some of that and not done that. Found themselves in a dastardly situation. But I just want to make sure that we are not considering some of the way we keep and maintain and also add to the useful life some of our assets.

So just in that process, if you can give us some explanation on that, I would appreciate it as well. But on the overall, I just want to say a very nice job, Mr. Worth and well done.

Councilwoman Milhaven.

[Time: 02:30:50]

Councilwoman Milhaven: If we can go back to the first slide that Ms. Doyle showed us, the general fund operating budget, the historical operating summary. I have to take exception that the Vice Mayor said in terms of weaning the general fund off of the food tax, and I would like to point out -- like would to point out on this slide that your expenditures exceed our revenues. Keep going back. Keep going. Go. There. No, sorry. Keep going back. It was the second slide in her deck. All right.

The last column is '16/17, our revenues totaled 278. Our expenses totaled 285. We are funding that shortfall with our savings from prior years. I think that's appropriate, but I think we need to plan -- I think we need to point out we have not weaned ourselves off of anything and to quote the prior treasurer, this is not sustainable in the long term and I think we need to recognize that. Thank you.

Mayor Lane: Thank you, Councilwoman. Councilwoman Klapp.

[Time: 02:31:58]

Councilwoman Klapp: Well, I don't agree. I wanted to agree with the vice Mayor that I am glad that

we have moved the food tax dollars over to the CIP. One thing that we are experiencing in this coming fiscal year that we won't be experiencing in the following year is an additional pay period that we're trying to cover. So that is an expenditure that at least only rolls around every few years. And we won't be seeing that in the -- in the '17/18 budget.

So my feeling is that we have found ways to wean ourselves off of the food tax, as was mentioned. It's not easy. I understand that. We are spreading this over three years in order to accomplish that and I also agree that we should be looking down the road in how we can eventually eliminate the food tax so that we don't have it in the CIP budget either. I think that's a smart move to make. It's hard to do. We have depended on it for many years, but as many here know, other cities don't have food tax. So why does Scottsdale. We shouldn't have to do this in the city of Scottsdale. We should be able to make our budget without taxing on food that is utilized at home.

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

[Time: 02:33:25]

Vice Mayor Smith: I will actually now speak from the voice of the former treasurer. I will point out that the unbalanced year in '16/17 where we have revenues of 278 and expenses of 285. Has substantial one-time expenses. Specifically we are using \$5 million of it as a transfer into CIP. We already discussed that. And so it is not unbalanced on an ongoing basis. Thank you very much.

Mayor Lane: You know, I tell you and I will follow on what I was saying before. I do think that given the circumstances we are dealing with right now, particularly on capital arena, that we are wrestling with a number of things and we actually the made the decision to try to wean ourselves of the need for the tax on foods consumed at home. This is a placement area until we make that once and final move.

There's an awful lot of work to be done in the continuing years ahead. And we're going to have to either consider what we need to do in the way of bonding, what we need to do in the way of taxation, what we need to do in the way of efficiencies, continued efficiencies because we are going to have the absolute responsibility to have a continued balanced budget. It's a matter of spending, a matter of saving and a matter of proper and efficient use of our resources.

So I will say again given the circumstances, I'm pleased with what you put in front of us and I think we are in reasonable good stead but that doesn't mean the game is over. So with that, I have no further comments for you or questions. So except that the city manager would like to say a few words.

[Time: 02:35:25]

Acting City Manager Brian Biesemeyer: Thank you, Mayor. I just had a clarification before Lee gets up here. Thanks, Dan.

You asked a question on the merit and I did not accurately describe the system. So I wanted to clarify

that before we got on. I didn't want to leave a misconception on that. You asked about the 3%. Let me take a minute and describe how it's been employed that up to 3% max was allocated out to each department and as you recall from last year's H.R. discussion, if somebody exceeded they could qualify for up to 5%, for exceeds and up to 3% for meets. That was a little deceptive in the fact that very few people -- seeing 5% was not -- it set an expectation that was not met with that merit increases. Because each department was left with that dollar allotment and then divided that up. And so it depends on each department how many exceeded and how many met and that's the way the program has previously worked.

This year, the difference this year, we'll take all of those who there's some funding from folks that do not -- would have left employment or vacancy positions that are -- that are open, that are calculated according to the budget office, and I think it is December that that number is calculated. So they calculate that 3% based on December. So there are some openings that occur through the year naturally that money is left in there.

And so what the -- so I just want to leave the perception that, you know this' some money this there to reward people who exceed that performance measure, and so those funds are typically gathered into the department and then distributed. This year, we will gather them as a city wide. So the small departments and the large departments are not treated differently and you are not treated differently because you just happen to have a department that has some vacancies and therefore in you exceed, you get more. That's the way we are trying to standardize it. I did clarify because it's not 3% if you exceed 3%, it would be up to 4% is what we are proposing in this program.

So my apologies for the poor way I described that but it's up to 4% if you exceed, and up to 3% if you meet, and that -- the up to 4% will be based on what is in the budget and allocated with that and the perception that some would be returned to the budget based on the way it's allocated. So I'm sure I muddled through that.

Mayor Lane: I think I got a little bit different from the way it has been handled to the way it's being handled now but I'm not sure it's entirely consistent with the way I thought it would be handled. So I'm not sure where that puts us with regard to what was expressed as a matter of policy and, frankly, even in -- calling out for the 3%. My question will go to the 5% now with fire and with police. How is that handled? And how will that be handled?

Acting City Manager Brian Biesemeyer: That's handled as performance. So the distinction there is that generally, it meets and exceeds qualify up to 5%. If it's less than that, then it's something different. And then the police department and fire administer that.

Mayor Lane: Isn't that's meets or exceeds up to 5%?

Acting City Manager Brian Biesemeyer: Correct.

Mayor Lane: In that case, it is a cap?

Acting City Manager Brian Biesemeyer: It is a cap. And in that case, it is a cap.

Mayor Lane: And on the basis of the numbers we have shown, the 5% in both of those categories of fire and police, the number that is there with the exception, I suppose of people who have reached the top of grade, then that calculates everyone at 5%?

Budget Director Judy Doyle: That's correct.

Mayor Lane: So if it's truly a meets or exceeds and anything less than that, then there might be something different than what is budgeted into that number?

Acting City Manager Brian Biesemeyer: Correct. If they don't meet or exceed, then yes, there's a savings there.

Mayor Lane: Got it. Okay. Thank you very much for that clarification. Yes, Mr. Nichols? Oh, I'm sorry.

Budget Director Judy Doyle: Mayor and members of Council, I just wanted to loop back around regarding the question that Vice Mayor Smith had related to the miscellaneous revenue and the general fund, and unfortunately I will have to get back to you with that information. I only have the change from the current fiscal year to '16/17. I don't have going forward into '17/18, so I will get that and get back to you.

Mayor Lane: Thank you. All right. So moving into Ms. Guillory as our finance director and her territory for the next leg of this. Welcome.

[Time: 02:40:34]

Finance Director Lee Guillory: Thank you Mayor Lane and members of the Council. If I could have my slide put up. I only have one slide for you tonight.

Mayor Lane: Boy, you are efficient!

Finance Director Lee Guillory: And it's on property taxes and it is a recap of what was presented earlier this year. All right.

So this is this is a recap of primary and secondary property rates. It shows the '15/16 and then the proposed '16/17 numbers. So starting with the primary property tax levy, there are two components here. We have the portion that is used by the general fund to meet obligations of the general fund and then there's a portion related to tort recovery that is levied and booked to our risk management funds.

So starting with the second line, with just the proposed '16/17 primary levy, you start with the prior year's \$26 million amount. So that's the amount that was allowed in the prior year. And to that,

you are allowed to recover new growth on the tax roll. And the only other allowance that can be taken would be what they call the 2% allowance, which council has given us guidance not to include.

So the some of those three categories is your maximum allowable primary property tax rate for the general fund. So last year's total primary tax rate for the general fund was \$26 million. The new growth added on to the roll adds another \$400,000 so that's the maximum allowable for the general fund levy. In addition there's been \$1 million of tort recovery approved by the attorney general's office, to be recovered through property taxes and again, we were given guidance to include that amount. So your total primary levy would be the \$27.4 million shown.

You would divide that by the primary assessed valuation of a little over 5 billion and you come up with a primary tax rate. The .5069. Then moving on to the secondary levy and rates, this portion of the property taxes can only be used to repay debt service on general obligation bonds that are outstanding. So the actual debt service needed to be paid on G.O. supported property tax bonds is \$34.1 million. We also had discussed using some excess debt service reserve fund balance of about half a million dollars. Resulting in a secondary levy of \$33.6 million.

And the bottom half of the slide is just the total of the primary and the secondary. So you will see that the proposed '16/17 levy would be \$61 million. A slight increase over the '15/16 levy. And to the far right is the tax rates that are calculated from that levy.

Based on that, I'm open for any questions.

Mayor Lane: Yes. Vice Mayor Smith?

[Time: 02:44:27]

Vice Mayor Smith: You told us this before but 2% allowance, if we did take that in fiscal year '16/17, it would be a number of roughly \$500,000; is that correct?

Finance Director Lee Guillory: It's actually \$555,000 in the current year. There's also the capability of recovering prior years that have not been taken. The last time that the city took the 2% allowance was back in '10/11. So there's -- all total 3.3 million available. That would include this year's 550,000.

Vice Mayor Smith: And you have told us at times in the past if we took the \$555,000, the benefit for the average homeowner, the average residential property owner -- I'm sorry, it wouldn't be a benefit if we too took it, there would be an additional tax. So the average tax impact on a residential homeowner would be approximately -- and you are supposed to fill in the blank?

Finance Director Lee Guillory: Yes. I believe it's about \$40 because it would go from \$1.12 up to \$1.13, if it was increased by the \$550,000 and the average home right now is about \$360,000 if you would like, I will do the math.

Vice Mayor Smith: I thought I recalled you saying it would be \$3.50.

Finance Director Lee Guillory: I'm beginning to think I'm off by a decimal place.

Vice Mayor Smith: I think you are right.

Finance Director Lee Guillory: Give me one minute. \$3.70.

Vice Mayor Smith: Well, I just want to say again I am a proponent of including this 2% allowance. It is the only manner in which the city increases the revenue collection on property taxes to account for inflation or increase city services or whatever. The increase in an individual's home value does not increase our collection of money. The sale of the home by the individual does not increase our receipts. There is nothing that increases our receipts from the existing stock of homes unless we avail ourself of this 2% allowance and it is -- I will call it a de minimis number for the individual home and the reason why is because the lions share of this tax is paid by business.

So when we say we are not going to take this allowance, we are depriving ourself of the built-in inflation factor that the legislature has deemed appropriate but more importantly, we are, for whatever reason getting a tax break to business. And for some reason, we have the inability in our minds to figure out how we can ever give a tax break to the citizens on food tax, but we have no difficulty giving a tax break to business on property tax.

So if there is any appetite on the council to reinstate this 2% we are beyond the recession now. We don't have the difficulties that -- where the justification for forgoing this in the past, and I see no reason to give a tax break not only to the businesses, but to the snowbirds that own homes here, which that's the only way they will pay us tax, and also to the out-of-town investors that own properties here. We are giving them a break. So we are giving a break to all the wrong classes in my judgment. And now that the recession is over, I would like to get back on the path to what we were doing for many, many years a very sensible approach, having all the sectors of our community help pay for city services, business, snowbirds, out-of-town investors and for \$3.70, the average homeowner.

So at this point I would make a motion that we change the property tax in the budget to include the 2% allowance. For this year. We will let the bygones be bygones but let's get back on track. And that is my motion.

Councilmember Korte: Second.

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

Councilmember Korte: Simply drill down on that and that is 31 cents a month.

Mayor Lane: The motion has been made and seconded. Seeing to further comment on it, are we then ready to vote? All those in favor of the motion, please indicate by aye. Those opposed with a

may. Nay. The motion fails with Councilmember Korte and Vice Mayor Smith proponents.

You know, I would just want to add one thing, I suppose the comments on this is that -- I mean, the first one to recognize that we have to -- there's some things we have to consider as we move forward, efficiency is at the top of the list. Taxable activity is the another. Certainly sales tax is a major component of how we draw upon those people who visit here on -- don't even own property here, and so it's a major component of contributing to our budget and at the very same time, we have followed the suggestion and I think it's an appropriate one. I certainly supported it and that was to wean ourselves of the tax on food consumed at home.

Which I think was -- it's a major and a significant measure and it involves a lot of -- I'm sorry, what is it? Is it about 11 million our budget?

Finance Director Lee Guillory: I believe the 1.65% impact is about that amount.

Mayor Lane: It goes directly to the people that we would like to help in that regard and at the same time, by all the folks paying sales tax on our restaurants and are visiting here for whatever reason and however they lodge themselves. I think they are pretty major contributors to our budget. They are frankly -- and these are one of the advantages to being a tourist town. There are some disadvantages but one of them is we are subsidized on about 23 cents of every dollar. It's a major component for us and it's one way to recover.

The motion was made and seconded and it won't be for this year as it is right now. So if I am right, you are finished with your one slide and we are not going anywhere else on this. Seeing no other questions, I want to thank you very much Ms. Guillory for your presentation and brevity. That completes our proposed fiscal year 2016/17 operating budget and capital improvement.

ITEM 14 – PUBLIC HEARING ON THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM FISCAL YEAR 2016/17 ANNUAL ACTION PLAN

[Time: 02:52:42]

Mayor Lane: The next item is the public hearing on the community development block grant program, fiscal year 2016/17 annual action plan. And it looks like we have Michele Albanese, community assistance and Paiute City manager here for presentation. How many slides? Just teasing. Have slides at will.

Community Assistance Manager Michelle Albanese: Good evening, Mayor Lane, members of the City Council. I don't have too many slides. I will try to go through as quickly as possible.

We are here to seek approval of the fiscal year '16/17 annual action man for the community development block grant and home investment partnership programs. The city of Scottsdale has participated in the CDBG program for the past 40 years. CDBG is a federal program administered through the U.S. Department of Housing and Urban Development and funds are awarded on a

noncompetitive basis, to communities with populations greater than 50,000.

Activities funded must meet one of the three following objectives, benefit to low and moderate income persons, prevention or elimination of slum and blight or meet an urgent community need. A maximum of 15% can be utilized for public service activities and 20% for planning and administration.

The city has also participated in the home program for the past 20 years. Home funds may be used to support decent housing and increase homeownership opportunities to both low and moderate income residents. Home funds are available through H.U.D. by participation in the Maricopa home consortium. Other members of this consortium include the city of Tempe, Chandler, Gilbert, Avondale, Glendale and Surprise.

As a condition of receiving CDBG funds recipients are required to develop a plan every five years to assess the needs of the community. Last fiscal year this plan -- last fiscal year this plan was committed. Annually H.U.D. requires the submittal of an action plan of the use of federal funds identified in the five-year plan. The annual action plan describes the resources and proposed activities to be carried out during the fiscal year '16/17. This action plan serves as the city's application for funding and is due to H.U.D. by May 15th.

Federal regulations require grantees to hold at least two public hearings during the development of the annual action plan to obtain citizen comments. The city held a total of three public hearings with the Human Services Commission to allocate funds to -- through the annual funding process. On March 10th and March 24th, agencies requested funding had the opportunity to address the commission during the informal and formal funding discussions.

The commission's final funding recommendations on March 24th are outlined in the annual action plan presented to the city council this evening. Annually, the city receives more requests than the amount of funding available. This year, agencies were limited to submitting one proposal per funding source within the established funding cap. Funds available through the annual funding process include CDBG, home, Scottsdale cares and the SRPMIC. Recommendations for funding for Scottsdale cares, general fund endowment and SRPMIC will be presented at the council at the June 21st meeting.

Since 2010, the CDBG and home programs have suffered excessive budget reductions. From 2011 to 2014, CDBG funds decreased a total of \$158,000. However, in the last two years, funding has increased by \$46,000. The anticipated allocation for fiscal year '16/17 of 941,577 is an increase of 14,000 from the last fiscal year.

The home program has also experienced funding reductions over the past several years. For fiscal year '16/17, the anticipated home allocation is \$234,000, which is an increase of \$27,000 from the previous fiscal year. Due to an increasing number of proposal requests that are received year after year, the Human Services Commission provided direction to staff to seek alternate funding sources for food programs and regional homeless shelters. Staff secured resources through SRPMIC grant funding to provide additional funding for these programs. Leveraging these funding will provide funding for six additional programs in fiscal year '16/17.

CDBG funding recommendations for eligible programs and services for the upcoming fiscal year totals 1,071,688. 883,373 is recommended for public service, housing and facility improvement activities. 188,315 is allocated to the city for planning and administration of the CDBG program. Home funding recommendations for eligible activities include housing reconstruction, \$212,000 is available for fiscal year '16/17. \$200,654 is recommended for housing reconstruction and \$11,706 for the city for administration of the home program. Any remaining unprogrammed funds will be made available and awarded to existing eligible projects or recommended for reprogramming for the next fiscal year.

The commission reviewed a total of 19 proposals from agencies requesting over \$1 million for just CDBG and home funds. The commission recommendations funding nine public service activities three housing Rehabilitation Activities and two facility improvement activities with CDBG funds. One proposal requesting home funds was received and the commission recommends full funding for this activity. The commission CDBG and home provide funding for 15 agencies to deliver project and services for 1,800 individuals in the community.

Recommended CDBG funds included 154,000 for activities that benefit Scottsdale's youth, victims of domestic violence, seniors, persons with disabilities and homeless individuals. 421,000 is recommended for housing rehabilitation, emergency repair and roof repair programs for homeowners. \$307,000 is recommended for facility improvements and 188,000 allocated for administration of the program. Home funding in the amount of 200,654 is recommended for reconstruction of existing housing for low and moderate income homeowners and \$11,706 is allocated to the city for administration of the home program.

Human Services Commission and staff request council adoption of resolution 10370 approving the annual action plan for fiscal year '16/17 and for all of the programs and services included in that plan. Thank you for the opportunity to present on the plan for this evening and if there are any questions, I would be happy to entertain those.

[Time: 03:01:16]

Mayor Lane: Thank you, Michele. We have one request from the public to speak on this. I will go to that first and then I'm sure we will have some questions for you as well, if you could stand by. And it's a single request, David Henderson.

David Henderson: Thank you, Mayor Lane and members of the Council. My name is Dave Henderson.

On behalf of STARS, Scottsdale training and rehabilitation services, I would like to express appreciation for CDBG funds previously allocated to STARS for employment services and work center-based employment. STARS provides programs that improve the lives of individuals with developmental and cognitive disabilities. Specific to employment services, the target population consists of unemployed, under employed, or employed adults who need assistance in obtaining or maintaining employment.

Currently program participants range in age from 22 to 74 years. CDBG funds directly benefit participants at the star campus located just south of Scottsdale stadium on Osborn road where the goal is to develop an individual's job-related strengths and remove barriers to gaining and maintaining employment in a work environment most appropriate for the individual. By assessing a participant's employment interests, as well as their skill and ability, the STARS can help them achieve a positive employment outcome.

STARS is the only Scottsdale nonprofit offering opportunities that increase the employability of individuals with developmental disabilities. Employment training is provided year round for the STARS work center where contract work is performed for companies such as Cox communications, the board of visitors, and hospice of the valley. In addition, employment may be available through collaborative work and serves the Fry's grocers and honor health care, and the fire department. We enable STARS to continue provide employment readiness assessments, on-the-job training and coaching for low-income residents with developmental disabilities. Thank you.

Mayor Lane: Thank you, Mr. Henderson. That concludes the public comment on this item. I will go to Councilwoman Korte.

[Time: 03:04:00]

Councilmember Korte: Thank you, Mayor. There you are Michele. Could we go back to the slide called process improvements? So help me understand this. Are you lumping the SRPMIC funds in your limitation of one proposal per agency?

Community Assistance Manager Michelle Albanese: Mayor Lane, members of the council, no, what I'm trying to show in this slide specifically, is agencies can apply for different funding sources and what we have been able to do with is SRPMIC that those that we moved out to SRPMIC to allow some other agencies to be funded through those other sources.

Councilmember Korte: So correct me if I'm wrong, the funds received through SRPMIC, those are results from grant proposals from the specific organizations directly to the tribal nation, and the city of Scottsdale has nothing to do with the allocation of those funds?

Community Assistance Director Michelle Albanese: Mayor Lane, members of the city council, the city actually receives funds through SRPMIC and when we ask for the funding through the gaming grants we specifically indicate what type of activities we will use those funds through and then through the funding process, we allocate them to those that meet those services.

Councilmember Korte: So those organizations that receive -- that apply for grants to the tribal nation, this does not concern them?

Community Assistance Manager Michelle Albanese: Correct. Those agencies would apply directly to the city and then we have allocated those funds.

Councilmember Korte: Okay. Now I understand. Thank you.

[Time: 03:06:11]

Mayor Lane: Thank you, Councilwoman. Michelle, I was just -- on one of the -- let's see, I don't know if I even have a number on it, the funding allocation on it. The funding allocation, fiscal '16/17 as indicated as 241,439 and reprogram funds and program income. Program income, I think is self-explanatory but I had a question as to the reprogram funds when we dealt with that in the past, sometimes it's been the sale of something that was purchased with these funds, and had to be returned back and reallocated. And there was always a time limit that was indicated as to when they might be used. Is there a significant portion of that number that is tied to its reuse and do we use those funds first before we use anything that may come to us in the current year?

Community Assistance Manager Michelle Albanese: Mayor, members of the city council, let's see if I can answer that in two parts. The majority of the funding that we have available this year comes from the program income and program income would come mostly from our housing rehabilitation program, if somebody sells their home, then they do owe a portion of that money back to the city.

As far as the reprogrammed funds, the ones we have specifically for this upcoming year are for those from agencies that didn't spend their entire allocation from the previous years. As far as a time frame, without getting into too much detail, H.U.D. requires the city to spend down their funds with a specific ratio so they cannot carry over 1.5 times the current funding allocation. So we always meet that every year. We work really hard to spend those funds down. So we meet that, and we are in good shape.

Mayor Lane: Very good. And the other is that you mentioned Salt River Pima SRPMIC, it's something that you call for in certain areas of need. On the basis of something we do here internally and not based on the submittals of agencies and various organizations.

Community Assistance Manager Michelle Albanese: Mayor Lane, members of the city council, we have developed the requests to SRPMIC based on the types of requests we get for funding through those other funding sources. And I would say the majority of the requests come from for meals whether it's home delivery or some type of nutrition programs and whether it's homeless shelters victims of domestic violence and transitional housing.

Mayor Lane: I appreciate, that but I guess what I was trying to say is that we get requests all the time from various agencies and they are more or less a pass through, as far as I understood. When you cited the number and I don't know what slide that was on the \$259,000, it sounded more like we were accumulating them and then not necessarily passing them on but delineating the kinds of funds that we needed from that program, the prop 202 funds.

Community Assistance Manager Michelle Albanese: I'm not finding the slide.

Mayor Lane: Right there.

Community Assistance Manager Michelle Albanese: This one?

Mayor Lane: Yeah, six additional proposals. So we assemble -- we know what it is we are looking to fund, and we just assemble that and send it off to SRPMIC in one miscellaneous retail?

Community Assistance Manager Michelle Albanese: Mayor Lane, and members of the city, council like that.

Mayor Lane: Well, there's not two processes. I guess what I see all the time, something comes through and it's more or less a pass through. We say they make a request and they have to come through the city and it goes off to the -- to SRPMIC and it's funded or it's not. But are there two processes that we're looking at?

Community Assistance Manager Michelle Albanese: Not necessarily. We receive the money directly for the city of Scottsdale through our request through SRPMIC.

Mayor Lane: With specifically identified agencies.

Community Assistance Manager Michelle Albanese: With specifically identified services and programs, but not agencies. And then when the agencies apply for the other funding sources that we have through the annual funding process, then we will allocate these funds appropriately to those services.

Mayor Lane: Okay. I see. All right. And then the only other thing is I didn't -- I noticed that in years we received money for Gila River as well, and in the past -- and I'm not sure if it continues from Fort McDowell Yavapai. Does that continue or is that not included in this particular equation right now?

Community Assistance Manager Michelle Albanese: Mayor Lane, city council, I can't specifically speak to that. It's not included in this funding process but it looks like Phil Murphy can answer that for you.

Mayor Lane: Okay.

Community Services Director Bill Murphy: Mayor Lane, members of the council, we do put applications in with the Gila and the Fort McDowell Indian community. The Gila is very specific in what their requests are and in the last year, we received, I think it was about \$5,000 in the grants that we had requested. And the Fort McDowell was pretty minimal as well. Salt River Pima grant that we receive is probably the largest of the three that we apply to each year.

Mayor Lane: Okay. All right. So that's -- obviously it's not in this equation right now, but that's subject to potential change depending upon what they do. Okay.

Well, thanks very much, Michele and we have another -- thank you for myself but Councilman Phillips?

[Time: 03:11:54]

Councilmember Phillips: So I guess I have to maybe ask the city manager, so is our action to adopt -- move to adopt a resolution number 10370. Is that our action for this evening?

Acting City Manager Brian Biesemeyer: That is correct.

Councilmember Phillips: Think move to adopt resolution number 10370, including items a through I.

Councilwoman Littlefield: Second.

Mayor Lane: A motion has been made and second. Would the second like to speak to it at all? Then without further comments or questions, we are then ready to vote. All those in favor please indicate by aye and those opposed with a nay. Aye. It's use on that. Do we have a -- another item?

Community Assistance Manager Michelle Albanese: Thank you very much.

Mayor Lane: Okay. Thank you, Michelle. We also have the adoption of resolution 10074, which authorizes the city managers --

Councilmember Korte: So moved.

Councilwoman Klapp: Second.

Mayor Lane: The motion has been made and seconded. Do we have any further comments on questions. I think we are then ready to vote for that. All of those in favor indicate by aye. Aye. It's unanimous on that.

ITEM 15 – TRANSPORTATIO CAPITAL IMPROVEMENTS PROJECTS GRANTS

[Time: 03:13:15]

Mayor Lane: All right. Moving on to 15, transportation capital improvement projects grants, and we have Mr. Paul Basha, our transportation director here at the podium and ready to go. Welcome, Paul.

Transportation Director Paul Basha: Thank you Mayor, members the Council. We have four grants that we are requesting that the council approve this evening. The four grants provide funds for three separate projects. The total cost of these projects is a little more than \$7 million. The four grants will provide us a little under \$6 million, and then the cost -- the direct cost to the Scottsdale taxpayers is a little over \$1 million for these four projects.

These are the three projects, McDowell road bicycle lanes, Chaparral road underpass and Osborn road, and the McDowell road project is two grants and they have one grant each. The first two projects were included in the November 2015 bond election, and that was the transportation question number two. And as we all know, that question failed. Fortunately, we were able to provide funds for most of those. We were able to discover funds for those two projects.

It's important to understand the history of the relationship between the bond election and the grants. The bond discussion from the city council from early March to early June of last year. The grant's availability was announced after the city council had already approved the bond election. The applications were due in late September and at wards were announced in late February of last year. If the bond had passed, we only would have sold bonds for the local share contribution, not for the full amount of the projects.

I would like to show you the expenditures we foresee in the next few years, in the next budget year beginning July 1st, a little under \$27,000 for these four grants. Then the remainder of the funds are distributed over the next three fiscal years.

Now to explain the projects themselves. This first project is approximately 3 miles long from our western border to our eastern border. It crosses two multiuse paths. We have two half mile sections of bicycle lanes. This would provide bicycle lanes for the missing two miles on this three-mile long stretch.

This was a project we recently completed. It was a bridge over the Indian Bend wash. We widen the bridge to widen the sidewalks and provided a bike lane on McDowell, while retaining three lanes eastbound and three lanes westbound for motor vehicles. This the intersection of Miller Road. On the east side the bicycle lane it exists on the west side it doesn't exist. When this project is complete, then we would have bicycle lanes continuously for three miles on McDowell road, and we would retain three lanes per direction for motor vehicle travel.

The next project is Chaparral road underpass at Indian Bend wash just east of Hayden Road. The west side has an underpass and the east side does not. This project would construct that underpass on the east side. There is also an underpass on the south side. It's south of this photograph. So it can't be seen. But providing three underpasses at this major intersection would allow pedestrians and bicyclists to cross under the intersection and never have to use the at grade crosswalks.

This project is slightly different and noticeably less expensive than the bond election that was included last November. Notice this right turn lane, this northbound right turn lane, it is short, and that's because of the elevation difference between the roadway and the part of the wash to the east. And there's also of the underpass.

In the bond election, we intended to increase the length of this northbound right turn lane. This project does not include that extension of the northbound right turn lane and that's for two dominant reasons. First, that would be very expensive. Most importantly, it does not satisfy the criteria of

the grant availability.

On to the third project, that's Osborn road for one mile from Scottsdale Road to Hayden Road. This is an aerial photograph of that one mile segment. It also is the east end of the project crosses the Indian Bend wash. This is similar to the McDowell Road project in that we have bicycle lanes west of Scottsdale Road but not east of Scottsdale Road. The bicycle lanes west of Scottsdale Road were accomplished approximately half a dozen years ago. We were able to restripe the road to provide the bicycle lanes. We have raised landscape medians on Scottsdale Road and we cannot accomplish the addition of the bicycle lanes through just restriping. We have to reconstruct the median.

This is the intersection of Miller Road and Osborn Road. You can see the bicycle lane on the east side but not the west side. Our first choice will be to install a roundabout at this intersection, however we will analyze that roundabout operation and ensure that a -- it is superior to a traffic signal.

And that concludes our -- my presentation. Our recommendation is to ask you to adopt resolution 10416. Happy to answer any questions you may have.

Mayor Lane: Thank you Mr. Basha. And yes, we either have questions or a motion here. We will start with Councilwoman Korte.

[Time: 03:19:49]

Councilmember Korte: Thank you, Mayor. I move to adopt resolution 10416.

Councilwoman Milhaven: Second.

Mayor Lane: Would the second like to speak toward it.

Councilwoman Milhaven: I would like to thank Mr. Basha doing such a good job of explaining the timing and the differences between the bond question and the grants.

Transportation Director Paul Basha: You're welcome.

Mayor Lane: Vice Mayor Smith.

Vice Mayor Smith: Just a quick question. Were the city's net \$1 million or, in fact, for next year, \$26,000, were those embedded in Mr. Worth's presentation of transportation projects before? I didn't notice them, but --

Transportation Director Paul Basha: Mr. Mayor and Vice Mayor Smith, the \$26,000 is easily incorporated in next fiscal year and then the additional expenditures in the three following fiscal years will be incorporated into those capital improvement programs in those three years.

Vice Mayor Smith: But the answer it was not in the presentation you made?

Transportation Director Paul Basha: Correct.

Vice Mayor Smith: Okay. Thank you.

Mayor Lane: Thank you Vice Mayor. Seeing to further questions on it, we do have a motion and a second. I think we are then ready to vote. All those in favor please indicate by aye. Those opposed with a nay. It's unanimous. Thank you very much, Mr. Basha. It was very good. Nicely done.

ITEM 16 – MONTHLY FINANCIAL UPDATE

[Time: 03:21:16]

Mayor Lane: Next up is item 16, and Mr. Nichols is here to make that presentation.

City Treasurer Jeff Nichols: Thank you Mr. Mayor, members of council well, I will be rather brief in my comments because things have not changed month over month. You look at the bottom right-hand corner of this slide, and you see when comparing actual to budget year-to-date on the revenue categories we are up by \$7.3 million. The vast majority -- the majority of that about 45% is the \$3.4 million and the 1% general purpose sales tax and I will discuss that later.

I have discussed the miscellaneous -- some of the miscellaneous revenues that we brought before you, and it's mainly a timing difference due to the sale of the graphics billing that Mrs. Doyle mentioned earlier. We budgeted for it later. We got the money earlier. So that will work itself out of our budget.

As far as the 1%, I'm looking at the large -- the \$3.4 million variance in the sales tax category. 1%. \$700,000 of that is due to the miscellaneous goods and services. I believe it relates to the businesses selling software systems within the city that are taxable. You also look down on the construction and the rental in the business category almost at the bottom of the slide. Construction of favorable variance of 1.3 million and rental a favorable variance of \$900,000. The majority of those were due to audits by our audit staff. And catching things where something is being built and then being sold and it is a taxable sale. And the rental category, it was the -- one the apartment buildings down at SkySong that ended up being a taxable sale because it was sold during a period of time when it was speculative in nature.

You look at the month over month, 4.9% increase. I would much rather see green than the red that we see in the previous month. Overall, actual year-to-date compared to last year at this point in time, when you add up the sum of those green and yellow lines for this fiscal year, we are about 4% above actual year-to-date. Closer to five.

Getting to the general fund operating uses by category. The personnel services, again Ms. Doyle touched on anomaly we were seeing. I don't know if hiring was great around the 1985/1986 time

frame. We are paying the people filling the positions less than the people that left those positions. Also in the retirement category, the \$200,000, several people within the police department entered the drop program that we didn't anticipate entering the drop program. We stopped paying the public safety requirement figure on those salaries. So we are realizing some savings there.

In the contractual commodities and capital outlays, the \$2.7 million variance, part of that is timing issue related to the police jail services contract. We have only received billings through January. That, of course, will work itself out towards the end of the year but we are also enjoying some savings in fuel costs for all of our fleet across all of our divisions, and also in utilities within the public works area.

The transfers out, the \$1.7 million negative variance we discussed that. The funding of the health benefits for prior retirees and also the public safety retirees in addition to the sale of a property where we transferred the money into the capital -- the CIP program. So looking at divisions, the public safety police, again the majority of that due to savings and salaries and the drop program, a community services is also enjoying some savings and their programs year-to-date, the total of \$4.1 million.

So bottom line right-hand corner, favorable variance of \$9.6 million as far as the change to fund balance, which will give us an opportunity to make some more one-time investments if you will at the end of the fiscal year for considerations for next fiscal year and with that, I will take any questions that you may have.

[Time: 03:25:43]

Mayor Lane: Thank you, Mr. Nichols. We have one at the moment from Vice Mayor Smith.

City Treasurer Jeff Nichols: Thank you, Mayor.

Vice Mayor Smith: Mr. Nichols, back on the slide when you talked about the receipts from rental and construction. You made the comment that this was -- some of this at least was due to our audit efforts. And for that I commend the audit group.

But my question is, I know that we are transferring some of the audit activities to the state and some we are retaining ourselves. Will we still have the capability to define little nuggets like this? This is a pretty good find?

City Treasurer Jeff Nichols: Mr. Mayor, Vice Mayor Smith, we certainly hope so. When we finally do transfer all the activities, we will still have audit staff. We will just have to make a request to A.D.O.R. to perform the audit. We don't see -- we haven't heard anything that would give us any indication that if we are using our resources they wouldn't let us do those types of audits when we find them.

Vice Mayor Smith: But for the time being this is the result of the old regime, if you will, or the old method, using our own people doing our own audits?

City Treasurer Jeff Nichols: That's correct and just researching records and noticing that a building was built and then put into service and sold within a 36-month window, which made it a taxable sale. So that's correct.

Vice Mayor Smith: The second question I had was on the previous slide to that, which is talking about the sales or the various categories of revenue. Third from the bottom is interest earnings and year-to-date. It is \$1.2 million. And this is the very dramatic increase in interest income that you discussed previously.

And my only question is a request really that you have Ms. Doyle or somebody, look, my recollection is when you put together the budget for next year, obviously what you do among other things is forecast what you think it will be for this year and the forecast for earnings interest earnings for this year was -- for the whole year was less than \$1 million. So considering we are at 1.2 already, maybe you can check to see whether we need to update that forecast.

City Treasurer Jeff Nichols: Vice Mayor Smith, I will have our consulting firm PFM check their figures. They are the ones that give us that forecast because they are managing the portfolio but I will look into that.

Vice Mayor Smith: They shouldn't be forecasting something for this year.

City Treasurer Jeff Nichols: Not in this year. I'm saying next year.

Vice Mayor Smith: I'm just talking about this year.

City Treasurer Jeff Nichols: Okay. Yes, sir.

Vice Mayor Smith: Thank you.

Mayor Lane: Thank you, Vice Mayor. I see no further questions. Mr. Nichols, so thank you very much for the presentation.

City Treasurer Jeff Nichols: Thank you, sir.

ITEM 18 – REQUEST TO AGENDIZE A DISCUSSION ON A BLENDED DISTRICT FORM OF GOVERNMENT

[Time: 03:28:34]

Mayor Lane: All right. I presume we do not have any petitions. So I will go to item 18, is a request of mine to have staff to agendize a presentation, discussion and possible direction of a charter amendment to create a blended district form of government, with three councilmembers elected by district and the Mayor and three councilmembers at large, including a timeline and draft ballot language.

What would I ask for -- the intent is to investigate and review this possible and the representation qualities and I would ask -- I would like to make the motion. I would ask for a second.

Councilwoman Klapp: Second.

Mayor Lane: The motion has been made and seconded. I think we are then ready to vote. All those in favor -- all those in favor --

Councilmember Korte: I would like to speak.

Mayor Lane: I'm sorry. Hold off on that. Councilwoman Korte.

[Time: 03:29:41]

Councilmember Korte: So I would ask for a friendly amendment to broaden that look at districts to broaden it, not only for three and three, but look at all different options that perhaps would benefit our city and not just one.

Mayor Lane: Well, at this point in time, eye seeking to have the project and the viability of a hybrid district system for review. Of course that type of thing is not done in a vacuum and the review of that structure for citizen relationship, citywide application and if the district model is favored, except that we would follow that to proposed language and consider it for a ballot measure. If it's not considered to be the preferred way to go or if the consensus of opinion is. Certainly it would be open to other suggestions at that point in time. The intent is to look at this, this was reviewed.

Oh, this was voted on, what almost ten years ago and I believe this model provides a specific district representation without sacrificing the broader citywide representation and in reference to how it was handled or voted on last time, I'm seeking to review this particular application. Like I say if it doesn't meet the needs of the council, in their estimation, I pose then at that point in time -- I suppose then at that point in time, there could be a consideration for another method.

So the simple answer is I suppose I would --

Councilmember Korte: That you are not accepting the friendly amendment. So I would like to offer an alternative motion. To agendize a presentation to, discussion, and possible direction of staff of a charter amendment to create a district form of government. To agendize a presentation, and discussion and possible direction it staff of a charter amendment to create a district form of government. Period.

Silence is golden.

Mayor Lane: The motion fails for lack of a second.

[Time: 03:32:41]

Mayor Lane: The motion has been made and seconded. I think we are then ready to vote. All of those in favor please indicate by aye. And those opposed with a no. Motion fails. 5-2. So with myself and Councilwoman Klapp agreeing.

Councilwoman Klapp: I would like to make another motion. I would like to move that the staff review all forms of districting and come back to the council with several options for discussion in a work study session.

Mayor Lane: Motion fails for lack of a second.

I will try this again. I would like to make a motion that review the process of a blended form of districting, as well as other forms of district representation. We will come back with a discussion on that subject for this council.

Councilwoman Klapp: Your motion is to discussion blended, as well as other forms of districting --

Mayor Lane: District representation, yes.

Councilwoman Klapp: In a council session?

Mayor Lane: Yes.

Councilwoman Klapp: I will second that.

Mayor Lane: The motion has been made and seconded. I think we are then ready to vote. All of those in favor please indicate by an aye. Those opposed with a nay. Aye. Same result.

All right. I guess it's not acceptable. So that -- so that, of what the message might be there, but in any case --

ITEM 19 – BOARDS, COMMISSIONS, AND TASK FORCE NOMINATIONS

[Time: 03:34:50]

Mayor Lane: we move on to the next couple which is item 19, boards and commissions, task force nominations and interviews. And for that purpose, I will turn it over to the Vice Mayor.

Vice Mayor Smith: Thank you, Mr. Mayor. This evening, the City Council will be nominating Scottsdale residents interested in serving on six citizen advisory boards and commissions. The six with vacancies are the Board of Adjustment, Historic Preservation Commission, Industrial Development Authority, McDowell Sonoran Preserve Commission, Parks and Recreation Commission, and the Tourism Development Commission.

However, Building Advisory Board of Appeals has two vacancies, but no applicants. So we will not be entertaining nominations for that board. Also, the Loss Trust Fund Board has one vacancy, but no applicants. So likewise, that will not be considered. And the Personnel Board has one vacancy, and no applicants. So those three, building advisory board, loss trust fund board and personnel board, are not considered tonight.

Those who are nominated tonight will be interviewed by the city council meeting on Tuesday, May 3rd of this year, and appointments will then follow each set of interviews. So getting started.

[Time: 03:36:09]

Vice Mayor Smith: The first one is the Board of Adjustments and as I said, it has the two openings. The Board of Adjustment has the power to hear and decide on appeals from administrative decisions and variances from the provisions of the zoning requirements. There are no special qualifications to serve on this board.

We have two individuals whose terms expire, William Adler's term and Sergio Martinez both have an expiring term on April 9th. Mr. Adler has not submitted an application for consideration, although he would be eligible for reappointment. But Sergio Martinez is eligible for reappointment and he has submitted an application along with three other applicants Andy Jochums, Greg Mona and Alex "Taylor" Roncancio.

There are two vacancies and four applicants and we will now entertain nominations for the citizens -- for the board of adjustment, and -- because there are two openings each councilmember can nominate two politics from this list. We will start with Councilwoman Milhaven.

Councilwoman Milhaven: Mr. Adler and Mr. Martinez.

Vice Mayor Smith: Mr. Adler has not submitted an application for consideration. He's not on the list there.

Councilwoman Milhaven: Are you talking about Board of Adjustment?

Councilwoman Klapp: His name is the not on.

Vice Mayor Smith: Two openings and four candidates on the screen there.

Councilwoman Milhaven: Mr. Martinez. No additional.

Councilwoman Klapp: I will add Greg Mona.

Mayor Lane: No additional.

Councilmember Korte: Andy Jochums.

Vice Mayor Smith: No additional.

Councilmember Phillips: No additional.

Councilwoman Littlefield: No additional.

Vice Mayor Smith: So we have three applicants, who will be considered on May 3rd.

The next commission is the Historic Preservation Commission. The Historic Preservation Commission oversees the development and management of Scottsdale's Historic Preservation Program. As outlined in Scottsdale City Code, each member shall have demonstrated special interest, knowledge, or experience in at least one of the following: Building Construction, History, Architectural History, Real Estate, Historic Preservation law or other Historic Preservation-Related field.

As we said there,'s one opening. And that's because one of the commissioners Ellen Kirshman resigned. There's no real estate professional. There's one vacancy and one applicant. The applicant is Doug Craig. So I will now entertain nominations and I was going to go this way. So Councilwoman Littlefield, if you would like to start.

Councilwoman Littlefield: I will nominate Doug Craig.

[Time: 03:39:41]

Vice Mayor Smith: I think that brings to a close the nominations.

So the next board and commission is the Industrial Development Authority. The Industrial Development Authority's primary purpose is to issue tax-exempt bonds for certain types of private development for the purpose of attracting new economic activity to the community. There are no formal requirements for I.D.A. member's areas of technical expertise, but given the nature of the work, and what they do, the members be comfortable working with detailed financial pro forma, feasibility studies, and the financial projections.

Ron Finkel's term expires April 20th, 2016. He is eligible for reappointment but he has not submitted an application for consideration. There is one vacancy and three applicants, Andrew Armstrong, Bret Krosschell and Matt Ligouri.

Councilmember Phillips: Matthew Ligouri.

Vice Mayor Smith: No additional from me.

Councilmember Korte: No additional.

Mayor Lane: Andrew Armstrong.

Councilwoman Klapp: No additional.

Councilwoman Milhaven: No additional.

Councilwoman Littlefield: No additional.

Vice Mayor Smith: So we have two nominees.

And we'll move now on to the McDowell Sonoran Preserve commission, where we have one opening. The Commission, with the assistance of city staff, makes recommendations to the City Council on such items as preservation strategy, funding, land acquisition, educational/promotional programs, master planning and other Preserve-related issues.

We have an opening because Mr. Heitel's term expires April 9th. He is not eligible for reappointment. There is one vacancy and three applicants, the applicants are: Robert Alpert, Cassandra Jonkosky and Larry person.

And I will begin, Robert Alpert.

Councilmember Korte: No additional.

Mayor Lane: Larry Person.

Councilwoman Klapp: No additional.

Councilwoman Milhaven: Cassandra Jonkosky.

Councilwoman Littlefield: No additional.

Vice Mayor Smith: No additional is not required.

The next is the parks and recreation.

The Parks and Recreation Commission which advises the City Council on the acquisitions of lands, operations, use, care, and maintenance of parks and recreation areas.

We have an opening because Ron Chamless resigned March 16th. We have one applicant and one vacancy.

Councilmember Korte: I nominate Fred Klein.

Vice Mayor Smith: We are done with that one.

The Tourism Development Commission has one opening.

The Tourism Development Commission advises the City Council on matters concerning the expenditure of revenues from the Transaction Privilege Tax on transient lodging, bed tax. As specified in the Scottsdale City Code, the seven members of the Tourism Development Commission shall consist of representatives of the tourism industry but they should include a minimum of four hoteliers and one member of the Scottsdale convention and visitors bureau and then the balance are from other elements of tourism industry.

At any rate, Carl Grupp's term expires April 20th. He represents an industry position. He is eligible for reappointment and has submitted an application for consideration. There is one vacancy and three applicants. They include, Tray Brennen and Mitchell Davis along with Carl Grupp.

And Mayor, I start with you for the Tourism and Development Commission.

Mayor Lane: Carl Grupp.

Councilwoman Klapp: Carl Grupp.

Councilwoman Milhaven: No additional.

Councilwoman Littlefield: Trey Brennen.

Councilmember Phillips: No additional.

Vice Mayor Smith: No additional.

Councilmember Korte: No additional.

Vice Mayor Smith: So we have two nominees.

That concludes our nominee process this morning.

The city staff will contact the nominees and provide them with more information about the interview process. I would like to take this opportunity to sincerely thank all who applied to serve on a citizen advisory board or commission. And I would like to say those who did not apply, please do so, it's a way to serve your community. Even if you were not nominated, your application will remain on file for one year for consideration at a future date, if there are additional vacancies. And now I turn the meeting back to you, Mr. Mayor.

ADJOURNMENT

[Time: 03:44:49]

Mayor Lane: Thank you, Mr. Vice Mayor. That completes our business for today.

Councilwoman Klapp: Move to adjourn.

Mayor Lane: I have a motion to adjourn and it's seconded. All those in favor of adjournment, please indicate by aye. We are adjourned. Thank you very much.