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CALL TO ORDER

[Time: 00:00:02]

Mayor Lane: Good afternoon, everyone. Nice to have you here. If you are hold over from the boards and commissions or if you are here for this meeting specifically, nice to have you here. I would like to call to order the November 28th, 2017, city council meeting.

And we will start with a roll call, please.

ROLL CALL

[Time: 00:00:20]

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

City Clerk Carolyn Jagger: Vice Mayor Virginia Korte.

Vice Mayor Korte: Here.

City Clerk Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: 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: David Smith.

Councilman Smith: Present.

City Clerk Carolyn Jagger: City Manager Jim Thompson.

City Manager Jim Thompson: 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. We have a couple of items of business. If you would like to speak on any of the subjects on the agenda and/or for public comment that's white card that the city clerk is holding up over her head to my right over here and then we have cards tar colored yellow if you would like to give us any written comment that she's now holding up over her head on any of the agenda items we would read through the proceedings.

We have Scottsdale police officers Eric Boles and Jason Glenn here if you have need for their services. They are almost directly in front of you. And the areas behind the council dais are for council and staff only. And we do have restrooms over to my left, under the exit sign. If you are having difficulty hearing the proceedings there are hearing assist headsets with the clerk. You can check with the clerk or her staff to receive one.

PLEDGE OF ALLEGIANCE

[Time: 00:01:35]

Mayor Lane: We do have the great honor of having Troop 667, their leader is Dena Musselman and Ann Cross, here with these young ladies to lead us in the pledge. If you would, please. And if you can, please stand. Any time you are ready.

Troop 667: I pledge allegiance to the flag of the United States of America, and to the republic for which it stands: One nation under God, indivisible, with liberty and justice for all.

Mayor Lane: Thank you very much, ladies. If you would like, you can turn the microphone around. You can turn it around, the whole base. And starting where you like, give us the name of your school and your favorite subject.

Sophie Trian: I'm Sophie Trian, I go to Hopi elementary and I really enjoy social studies.

Lily Ord: I'm Lily Ord, I'm in fifth grade and I go to Hopi elementary school and my favorite subject would have to be reading.

Lizzie Gilbert: My name is Lizzie Gilbert. I go to Hopi elementary school, and my favorite subject would have to be math.

Katie Musselman: Hi, my name is Katie Musselman. I go to Hopi elementary school and my favorite subject in school has to be math.

Lola Webster: My name is Lola Webster. I go to Hopi elementary school and my favorite subject is language arts.

Lexi: Hi, my name is Lexi, and I go to Hopi elementary school and my favorite subject is math.

Lena Spitler: Hi, my name is Lena Spitler, I go to Hopi elementary school and my favorite subject is math.

Bessa Burley: I had my name is Bessa Burly and I go to Christ Lutheran school and my favorite subject would be reading.

Sadie Seibold: Hi, my name is Sadie Seibold and I go to Hopi elementary school and my favorite

subject is math.

Charlotte Hoffer: My name is Charlotte Hoffer, I go to Hopi elementary school and my favorite subject is reading.

Kate Bailey: Hi, my name is Kate Bailey. I go to Hopi elementary school and my favorite subject is math.

Molly: My name is Molly and I go to Hopi elementary school and my favorite subject is math.

Pat Sage: My name is Pat Sage, I go to Hopi elementary school and my favorite subject is probably either science or math.

Mayor Lane: Did everybody have a chance? Very nice. Thank you very much, ladies for being here. And certainly, you are welcome to stay with us or if you would like, certainly you can leave. Whatever is your pleasure. But thank you again.

INVOCATION

[Time: 00:04:56]

Mayor Lane: Our invocation this evening is by Pastor Ruston Rostello of the Scottsdale Bible Church. Pastor?

Pastor Rostello: Mayor, Vice Mayor, Councilmembers, thank you for having me. If you can, bow your heads with me. God, we thank you for the opportunity to come together tonight and to make decisions about how our city operates. We thank you for the freedom to do that here in this great country. God, we pray tonight that as all of these issues are raised and decisions are made, that you would be with our decision makers or give them wisdom and discernment and continue to protect them as they move forward in this process. We thank you for the way you provide for us and we pray this in our name. Thank you.

Mayor Lane: Amen. Thank you, pastor.

MAYOR'S REPORT

[Time: 00:05:47]

Mayor Lane: A little bit on a mayor's report. We happen to have two high school football teams vying for the state championship this weekend in Tucson. And please help me wish good luck to the Saguaro Saber Cats as they battle for the 4A state championship and if successful this would be an Arizona record of a fifth consecutive state championship for Saguaro High School. Let's just give them a hand, just for that accomplishment alone. That's pretty impressive. But also we have our very own Notre Dame Prep Saints, are also competing for the 5A state title here and we want to wish

them both luck.

As the holidays approach, the city staff is looking for people to adopt a senior. This program provides a few gifts and a much needed friendly holiday visit to many of our homebound and isolated elderly. Please consider adopting a senior this year. It can be found by Scottsdaleaz.gov or call the senior centers. I would certainly encourage you to do so. Frankly, it's really a wonderful match for this season.

So we have no presentations.

PUBLIC COMMENT

[Time: 00:07:17]

Mayor Lane: We have next order of business would be public comment. And public comment is reserved for non-agendized items which no action will be taken by council. These comments are limited to issues within the jurisdiction of this council. And speakers are limited to three minutes each with a maximum of five speakers and this will be another opportunity at the end of our meeting for another set of requests if it's needed. But we do only -- we have one request this time to speak towards a petition, which we have been given copies of, but I would ask that David Schacter. Is that how it's pronounced? Mr. Schacter.

Dave Schacter: Thank you. My name is David Schacter, I am 97 years of age and if God wills it, I will be around and come see you again when I'm 98. I have lived in Scottsdale for over 30 years and have enjoyed every year of that that I could.

But I'm here for another reason. I volunteered. I emphasize volunteered December of '41 when war commenced and I gave of my periods of life to help this great country that we live in. And now I find myself once again in a position where I have to step forward. Recently at Andara, then honored the veterans, three days of honoring them, and I saw wheelchairs, walkers, canes, of all the large amount of veterans living in Andara. And it came forth to me the suffering that some of these people are going through because Andara is in the vicinity that hinders the hindrance of those who can help them because of travel restrictions.

I ask you to use your stage, your petitions, to help Andara so that qualified workers, workers who can help the veterans will be able to come to Andara. Please do so. Thank you.

Mayor Lane: Thank you very much, Mr. Schacter and thank you for your service. We do have that petition and we will consider it at the end of this meeting for action or otherwise. That completes the public comment at this point in time.

MINUTES

[Time:

Mayor Lane: So the next order of business is our request to approve the work study session minutes of November 6th, 2017.

Vice Mayor Korte: So moved.

Mayor Lane: The motion has been made by the Vice Mayor.

Councilman Phillips: Second.

Mayor Lane: I think I heard a second with Councilwoman Klapp and we are then ready to vote on those minutes. All of those in favor, indicate by aye and regular your vote. Aye. It's unanimous in the acceptance of those minutes.

CONSENT AGENDA

[Time: 00:10:59]

Mayor Lane: So we'll move on to our consent items which are 1 through 9a and at the request of councilman Smith, item 4 is to be pulled. And that item just for the record is the fire department budget transfer and adopt resolution 10949, authorizing a general fund operating budget contingency transfer of \$450,000. That will be moved to regular and for a regular presentation.

So we will move that of the consent and unless there are any other questions, and there are no other testimony cards for the consent items, I would accept, I think the Vice Mayor is staging already to give that motion.

Vice Mayor Korte: I move to accept agenda items 1 through 9a with the exclusion of agenda item number 4.

Councilman Smith: Second.

Councilwoman Klapp: Second.

Mayor Lane: The motion has been made by the Vice Mayor and I think seconded by Councilman Smith. Seeing there's no further comments on these items in any way, I think we are then ready to vote for those. All of those in favor, indicate by aye and register your vote. It's unanimous to accept the consent items 1 through 9a, absent item 4.

ITEM 4 – FIRE DEPARTMENT BUDGET TRANSFER

[Time: 00:12:23]

Mayor Lane: So moving right to the regular agenda, which will now start with item 4, there's a

request for presentation and, of course, to be voted separately. And, again, that's the fire department budget transfer and request of resolution 10949 authorizing fiscal year 2017/18 general fund operating budget contingency transfer in the amount of \$450,000 to the fire department general fund operating budget for the total costs associated with hiring six unfunded pipeline firefighter positions.

Fire Chief Tom Shannon: Good evening Mayor and Council. So this sum is a request to transfer necessary funds to facilitate the training and hiring of six additional firefighters.

What -- a little bit of a story behind this and some context, and in your council packets for this item, you will read and recall that we are trying to address a gap of leave hours that is not currently covered in our budget authorization. That gap is 34,077 hours of leave that we realize every year. This is -- this equates to 11.68 people in the fire department because we work shift work. We round everything to threes. So that's where -- that's where our numbers become whole.

The reality of this is -- and let me just put something up on the Elmo for you. Thank you, Brian. I want to bring your attention to this figure right here. And I have staff available to dive down deep into the numbers if you would like to do so.

The fire department is staffed in such a way as to provide for 69 seated seats every -- every day. That requires 207 people and what we call rovers, additional people that are available for leave when it occurs. What we have found, frankly, since our investigation, is that we do not have the adequate number of available staff to cover the leave that is used on an annual basis. Of course, would you expect that as workforce becomes more tenured and they accrue more leave, they would assume to use it and so we have seen a -- about a 10%, almost 11% increase in overall leave usage year over year, frankly, since our inception. Where we are at now, and where we have been in the past, is we have been spending overtime dollars to daily staff, rather than having a budget appropriation that appropriately provided for the number of necessary PCNs.

So I came to the city manager in the summer and the treasurer and budget director and appealed to them that it would be much more cost effective to hire as many as the 12 bodies, the 11.87 or 12 bodies and through a number of conversations and ultimately a meeting to go, dive down deep into our staffing calculator which is what you are looking at here and we can describe what you are looking at, if it will help you. We were -- we were acknowledged that the city manager would provide us with six additional staff.

What this will do is help mitigate this \$856,000 of -- of overtime expenditure that is unfunded. It's currently not in our budget, and, of course, we will realize that in the first year of their -- their full employment and what we will see is a reduction in the -- in the overtime that we are spending to daily staff. That is essentially the nuts and bolts of this.

What we are trying to do is cost avoid dollars that are currently not in our budget, but we know we are going to spend based on that leave gap of over 36,000 -- or 34,000 hours. That's essentially the -- the conversation as it relates to the CAR. I'm certainly happy to entertain any questions you may have

and a have got chief Freeburg here to dive down deep into the numbers of the staffing calculator if you need.

Mayor Lane: Thank you, Chief. I'm going to ask first because councilman -- well, now he's on the record in any case but nevertheless, Councilman Smith, you have some opening comments or questions?

[Time: 00:17:18]

Councilman Smith: Thank you, Mayor. And let me just state for the record, I'm not opposed to public safety. I certainly want to support the needs of public safety in our community in every way that we can.

I do have some questions or concerns about this report and to that, you said that the monies for this are not currently in the budget. They are not currently budgeted, I think is the term you used and I -- I see that you had in the packet an attachment for. Do you have that available?

Fire Chief Tom Shannon: I do. Let me put that up on the Elmo.

Councilman Smith: And while you are looking for that, just for the benefit -- if you can straighten it up and blow it up a bit.

Fire Chief Tom Shannon: Okay.

Councilman Smith: I think what that slide -- I don't think. I know what the slide is showing. It's showing the five-year overtime variance, and the blue bar is -- this is a little bit different legend than we have on the council report, but nevertheless, the blue bar is the budget, gather? Is that correct?

Fire Chief Tom Shannon: That is correct. That's the budgeted overtime for that year.

Councilman Smith: Do you have the same slide that was provided in our packet, called the five-year overtime variance?

Fire Chief Tom Shannon: It should be the very same one. Let me pull this up. I will apologize. We have it in color. Would that help?

Councilman Smith: Yes, that's the slide. So the blue bar to the left is the budget. The yellow bar is the actual and the red is the difference between the two?

Fire Chief Tom Shannon: Yes, sir.

Councilman Smith: Is there a reason you have not budgeted for anything approaching actual overtime variance for now one, two, three, four, five years?

Fire Chief Tom Shannon: I can tell you that that request has been made each and every budget year. We have come forward with a -- the exact data and mathematics required for our staffing calculator, based on annual leave and it frankly has not made it through the budget process.

Councilman Smith: And yet it seems to be reality, whether it's budgeted for or not, it comes to pass.

Fire Chief Tom Shannon: Indeed.

Councilman Smith: Maybe we have a flaw in the budgeting process and maybe I will ask the city treasurer, I guess your people run the numbers for the budget, at least. Is this -- is this something which is consciously peeled back every year or they ask for \$1.2 million and you say that's reasonable but I will only give you whatever the number, is \$250,000?

City Treasurer Jeff Nichols: Mr. Mayor, it's considered in the budgeting process and there's a lot of competing needs in spite of the fact that we know it happens. There just hasn't been available funding to address the issue and it hasn't made it through to the adopted budget.

[Time: 00:20:44]

Councilman Smith: That seems a little disingenuous. I mean, if it's not a competing need, an absolute certainty, it looks like that it will happen. I mean for some time it was less in '15/16, but then it went right back up in '16/17. How do we -- how do we fund this then? How do we being for it at the end of the year, the fact that we -- we only budgeted for 20% of what we -- what actually occurred?

Fire Chief Tom Shannon: Mr. Mayor, Councilman Smith, I believe that's what the city manager is attempting to do this year, by adding these positions, is to address this issue. He can speak to that.

Councilman Smith: Well, if he wants to, fine.

City Manager Jim Thompson: Mayor, Councilmember Smith, we were trying to address this issue in what I feel is the most plausible solution that we have at this time. Obviously the -- you know, the numbers would tell us the 12 is appropriate, and we feel that six is something that I can look forward to in this upcoming budget process, rather than right before the end of the fiscal year we come forward and we historically have asked to transfer monies out of the undesignated, unreserved or that of the contingency of the general fund to cover the costs associated with the overtime, right now that's been brought to my attention. We spent lots of time looking at it. I felt it in my best interest to move forward and hire some staffing.

There are other elements such as in a few years we will have a large portion of our staff leaving due to retirements and it will give us an opportunity to have some mid-career people coming on board now that would be mid-career by that time and we wouldn't have some other challenges we will be facing in this next year's budget process. I'm not one where issues present themselves of this magnitude to let it sit out there. I wanted to address it now and move forward with the solution that I felt was in

the best interest. So we end up in a scenario where we are paying individuals a salary -- a set pay, rather than time and a half pay to bring back individuals and potentially create hardship.

This tended to be the solution that warranted the best financial position at the end of the day. Outside of the normal budget process, I will have to take that into account when I walk through the budget process this year and all the submittals, I will have to make up the difference associated with these additions put forward today and I'm prepared to do that.

[Time: 00:23:22]

Councilman Smith: Well, I appreciate that explanation and I know what need you are trying to address. It's obvious from the graph there, we didn't budget enough. We are going to have a shortfall and we have a need to address it somehow. I think my concern is -- by the way, city treasurer, I didn't see you signed off on this. Are you in agreement with this or have you seen it or reviewed it or what's the deal?

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Smith, as the chief indicated, when we started the budget discussions we were all at the table. There was differences as to the number of positions that may be warranted per the calculator, but in general, we were in agreement that it needed to be addressed, rather than handling it as a city manager just spoke at the end of the fiscal year. I did not review the final product, nor did budget staff, but we knew it was coming forward.

Fire Chief Tom Shannon: And let me jump on the sword on that. That was an omission on my part. I made the assumption that we were all on the same page and I frankly apologize to the treasurer's office for omitting their significant and certainly will not happen again.

Councilman Smith: The reason for asking for it. That's the whole reason why we have the division of charter officers so we have an independent financial review and an independent financial recommendation on items that have financial impact, but certainly this one does. This is for contingency monies. And these are for things that go bump in the night. It's a fund of money that's allocable to all departments, which every department has something that goes bump in the night. It's never something that is used to fund a multiyear expense and clearly, these six firefighters once hired are not going to be fired in six months' time. So we are embedding an expense into the budget process.

Everything I'm hearing is, perhaps a compelling argument during the budget process for hiring six firefighters and then I will hear competing arguments from every department of what their needs are and we'll -- we'll make our choices at that time. But we are doing this completely out of -- out of context, out of the process.

And I'm -- I'm concerned for what the financial impact really might be of hiring six people on a permanent basis, going forward. I'm concerned that the budgeting process that allows us to delude ourselves that we will have overtime of \$250,000 and we know perfectly well it will be over \$1 million because it's been over \$1 million for five years. So I'm not happy with the process and I won't be

supporting this. I don't think I would support us deferring this to the regular budget process for fiscal year '18/19 and I might well be in support of it at that time. Thank you, mayor.

Mayor Lane: Thank you, Councilman. Councilwoman Littlefield.

[Time: 00:26:42]

Councilwoman Littlefield: Thank you, Mayor. As I understand this, and I have been in conversations with a number of people regarding it, this is a need that has been around for a long time that we just have not yet addressed; is that correct?

Fire Chief Tom Shannon: I think that that's accurate. I would argue that the department has never had the number of personnel that were required to meet this leave use factor. When we staff personnel, of course, we must consider the amount of leave that they will use and then consider all other forms of leave, and that, I believe, right around 16%. So that factors about 17 to 18% of an employee's time or employee's existence is leave. And so because the fire department is constantly staffed which means that we maintain constant staffing on the fire truck, it's -- it is required to have additional personnel, those rovers and we do not have the adequate rover pool in order to fill in for vacant personnel.

Councilwoman Littlefield: Let me also just confirm currently this overage that we are experiencing in costs, that is being paid out of our contingency fund?

Fire Chief Tom Shannon: No currently we are in a negative variance reality in that budget line item. So we have a -- an overtime line item that would show in the red. In fact, I'm quite sure that the budget office has identified a negative variance in previous reports to you in this category what this request specifically asks is to true that up. True that up, in addition to trying to mitigate some of that cost. So we are bleeding. The city manager is allowing us to ask you to -- to not bleed as much.

Councilwoman Littlefield: Okay. So this would actually bring you into budget truth?

Fire Chief Tom Shannon: That would not be correct. This gets us halfway there next year. This year, because it brings staff on and it takes some time to bring staff on. We actually make the situation about \$75,000 worse this budget year, which this contingency is attempting to address. Next year is where we would realize the savings of those six in -- in and around the ballpark of \$350,000. If we were to add the additional six, making those 12 bodies there, we would almost eradicate that \$800,000 deficit which as Councilmember Smith pointed out is no longer if, it's a trend.

Councilwoman Littlefield: I would normally agree with councilman Smith on this, but I think this is something that we have allowed to drag on and on over a number of years and we need to take steps to make it right and bring it into compliance with our needs, which it isn't at the moment. So I do support this. I think that if we can take some of the overtime that we are having to pay right now, and make it regular time, that will help. If we can do it and bring it up to where our current needs are.

That also will help having trained firemen online, moving forward, as our older firemen retire and leave our force, it brings the cadre, and what do you call it, the way we do things of our fire department to a more experienced level, bringing in newer people later on in 2024, or '25, '26, when we are going to have a huge staffing need again. And I think we need to have that experience and the building of experience over the years so that we don't end up with freshmen firemen with not knowing what to do and no people there to teach them. I think it's a start and a step in the right direction that we need to take. Thank you.

Mayor Lane: Thank you, Councilwoman. Councilwoman Klapp.

[Time: 00:31:10]

Councilwoman Klapp: This is nothing new. We have been seeing this four or five or six years. It's always been my opinion that when you have continuous overtime that it's an indicator that you have an under staffing problem. It's pretty simple.

And so I support the city manager's attempt to fix this, and I would ask for the approval of resolution 10949, for the general fund operating budget contingency transfer to the amount of \$450,000 to the fire department's general fund operating budget for the total costs associated with hiring six unfunded pipeline firefighter positions.

Mayor Lane: Second.

Vice Mayor Korte: Second.

Mayor Lane: I am going to take that second. I think we can close out with this vote. I absolutely want to commend the city manager and the staff all together who have been working to get this fixed this is something we have been working with and I will just sort of repeat a little bit of what the Councilwoman Klapp has just said. This coming out of the great recession. It was our hope that it would go down despite our best understanding of it.

The only thing I'm concerned at all, this comes out of the contingency fund, where in the past any kind of unfavorable balance or deficit in the fire department's budget fell down to the bottom line where it either increased -- well, the deficit would decrease the unallocated reserve, which we have worked with for years and oftentimes that's where we made that money up. This time, its coming at least as is stated here, coming out of the contingency fee. I get it and I think this is probably an appropriate way to go ahead and get this started. I always would like to have personally when we talked about mitigating costs or avoidance of cost, if you are talking about double time -- excuse me, I think I saw \$1.35 million of do nothing scenario, I'm presuming that's overtime.

So if you actually were able to move these new positions into productive element to be provers and to be on -- rovers and be on the job and so on. You mentioned something that will cost us \$75,000 more, actually. I'm presuming at some point in time, the straight time versus the overtime that's

being incurred or would be incurred has been quantified.

Fire Chief Tom Shannon: Mayor, members of the council, it most definitely has and I will defer to Ryan in a second. For me, there's always an overtime need that will address the unexpected. Once we have the right number of PCNs, we should see a very low overtime requirement. So we are in essence trading personnel -- the overtime dollars that exist now either in an actual appropriation or an unauthorized appropriation of over \$800,000 that we're spending and we true that up and we -- we find that balance. We work very closely with the budget director to try to get those numbers right and free, if you will explain a little bit about what we expect in the six person scenario and then a potential 12-person scenario in terms of overtime draw.

Chief Ryan Freeburg: Mayor, Vice Mayor, and city council. We think it will cost avoid another half million dollars working with the treasurer and the budget office, we will still have to bring forward a package. If you brought on an additional six we would project a zeroing out of what is called our overtime unscheduled line item, where dependent on the leave use, injuries, the cases that can fluctuate our leave usage is what we are looking at, but by math, the number of people could potentially zero out the overtime need for combat positions.

[Time: 00:35:44]

Mayor Lane: And thank you. And understanding, as we look at this, obviously there's been a continuing -- a trend, certainly that we have increased the variance between what we actually have budgeted and frankly, we have trended down in what we have budgeted. But from what I heard you say on half a million on the six and another half million.

If we are talking about straight versus overtime, are we talking about another half a million dollars that would be cost avoided with the 12? Is that -- and I realize there's variables out there.

Fire Chief Tom Shannon: Yes, assuming there was a budget appropriation to fully staff those 12. So you have it on the personnel line item. You would then see a commensurate drop on the overtime line.

Mayor Lane: Thank you. I certainly support this and I think it's a good effort to move forward in the appropriate way for us on this. But it's going to take, you know, obviously additional considerations on how we get there. But nevertheless, I think this is a start on it.

Vice Mayor Korte.

Vice Mayor Korte: Thank you, Mayor. I totally support this too.

Chief, a couple of questions. Relatively young fire department, when did we form it? 2004?

Fire Chief Tom Shannon: July 1, 2005.

Vice Mayor Korte: 2005. And this leave use factor, that we are dealing with here, was it ever funded?

Fire Chief Tom Shannon: I was not here. Freed, can you address this?

Chief Ryan Freeburg: The leave factor came out of 2010, when we were coming out of recession in an attempt to normalize our overtime use after a lot of the give backs that were part of the city process. 2012, we were requested to be audited by Sharon's office and the calculator was audited and by a individual party to then get into the budget office.

So since about that time, we have really been looking at it from the business management side of how many employees do we have? What's the leave they use? And then trying to do a normalization of those funds to then get the right amount of money into our line item. Understanding we are one of many priorities that the city has to consider when funding requests.

Vice Mayor Korte: So these requests have been made for last five years in the budgeting process.

Chief Freeburg: That is correct.

Vice Mayor Korte: And basically whether the former city manager or the former treasurer just kicked the can? Is that what we are thinking?

Fire Chief Tom Shannon: I wouldn't couch it that way. It got into the grinder and we will see how it came out.

Mayor Lane: It's not much of a couch, but --

Vice Mayor Korte: I can couch it that way. So thank you.

Mayor Lane: Okay. Thank you, Vice Mayor. And thank you, Chief. I appreciate the explanation on that and there's to further requests to speak and so we do have the motion and the second on the table. So all of those in favor, indicate by an aye, and though opposed with a nay. 6-1 with Councilman Smith opposing.

ITEM 10 – FISCAL YEAR 2016/17 ANNUAL FINANCIAL AUDIT

[Time: 00:38:54]

Mayor Lane: Now we move into the regular agenda items which would be starting with item 10 and that's the fiscal year 2016/17 annual financial audit. And we have Sharron Walker our city auditor here to make that presentation.

City Auditor Sharron Walker: Mayor and members of council, the materials for this particular agenda item has about 600 pages. However, the -- oh, okay. Let me try this. Is that better?

Mayor Lane: Yeah.

City Auditor Sharron Walker: The materials for this item total about 600 pages and fortunately for me, the auditor's part is only about 80 pages. The city treasurer's accounting staff prepared the remainder, the financial reports and the disclosures, and the city treasurer on the next is agenda item will be doing a summary of the fiscal year financial results.

So let's see. The charter makes the city council responsible for the audit. The audit committee on behalf of the council and the audit committee consists of Councilwoman Klapp, Vice Mayor Korte and Councilwoman Littlefield, the audit committee meets with the CPA firm at the beginning and at the end of each financial audit. And at the November 13th meeting, they received these financial audit reports and they unanimously voted to have the reports presented to the council for acceptance.

So the annual financial audit encompasses eight entities. It includes the five community facilities, the MPC and the Scottsdale Preserve Authority.

So the auditor issues two types of reports. One is the opinion on the financial statements and then one is the reports on internal control and compliance for each of these entities.

So first, to summarize the annual -- or the financial audit reports, on the city's CAFR, the auditor modified what is referred to as a clean opinion and that means that the financial statements are fairly presented in all material respects and so the users can rely on them. In the city's CAFR, there's a change in accounting principle paragraph and that highlights that the city implemented two new accounting standards during the fiscal year and an important characteristic for financial statements is to be prepared the same from year-to-year so that they are comparable but in this case, the change in accounting principle was a required -- was two new required accounting standards and so that change did not modify the auditor's opinion.

So related to the financial statement, the auditor issues a communication to government letters. The auditing standards require that the audit firm communicate certain information so that the governing body is aware of significant accounting practices and estimates, any audit adjustments or disagreements with management, and other matters like that. And the letters on the various entities disclosed no issues. The CPA firm also attached to the communications this year the management representation letters, and what those are is management, the city treasurer's office acknowledging responsibility for preparation and fair presentation of the financial statements and several other matters like acknowledging that they have -- that they have provided all of the information that was relevant during the audit. So those letters are attached, the management representation letters are attached for the additional information for the council.

So the second report, the internal control and compliance report consists of a couple of types, the -- whenever a government spends more than \$750,000 in federal funding they are required to have a single audit and that has certain audit testing requirements and reporting requirements. And as you can see on the screen, the city spent almost \$13.7 million in this fiscal year and so the single

audit requirement did apply. One is the internal audit and the other the federal requirements the CPA firm gave a clean opinion on the financial schedule of federal awards that were expended and then in the findings, they had the two comments related to the financial controls which were purchased requisition -- related to purchase requisition, approval process and voided cash receipts approval. And then the one comment on compliance which related to the housing programs. One out of the 40 files that they didn't have a reasonable in the work sheet.

I forgot to put the bullet item on there but the management response is also included in the single audit reporting package and so the city treasurer's office commented on the procedures and the training that they will have to address these matters.

So the state wants some assurance that the HURF funds and the CPA firm said that it did comply with those requirements. There are a couple of other required reports that are usually completed in the January, February time frame. One of those is federal and one is state.

So that concludes my report and the requested action today is that the council accept by motion the fiscal year 2016/17 financial audit reports as recommended by the council's audit committee. And I would be happy to take any questions.

Mayor Lane: Thank you, Ms. Walker. Thank you very much for that presentation. I may have a question but we will start with Councilman Phillips.

[Time: 00:46:52]

Councilman Phillips: I think did you a great job.

I would move that accept the fiscal year 2016/17 annual financial audit reports submitted by the city's external auditors, Heinfeld, Meech and company.

Mayor Lane: I will second. My only comment is a congratulatory one. In view some of the other issues that some other municipalities have faced and some other agencies, quasi municipal agencies have faced in the recent past with regard to uncovering difficulties within their financial statements and, frankly, to the point of fraud and other illegal types of actions or frankly, constituted at least an infraction under their mission.

I just wanted to mention the fact that in at least one case, they instituted the same kind of structure we have here or very close and that's to have an independent auditor, like yourself. Now this is a report from an outside independent CPA firm, but our structure allows and is structured so that our city auditor is independent and only responds to the elected body. I shouldn't say only responds, but does respond primarily and principally so that.

And so it's been important for us to have an auditor who has effectively been very vigilant in executing the proper audits to make sure that we are doing the right thing, and we frankly are doing the right thing and that's exemplified and shown and all the reports are out on the web for anybody to see and

sometimes that's a very good thing in trying to establish a level of trust in the government.

So I want to certainly congratulate everybody that has been associated with keeping the records and to our treasurer because frankly, this is a good report, as it always is. But it bears a little bit more scrutiny in recent times now because of some of those other problems that municipalities have had. And Sharron certainly, for your engagement on this subject as well.

City Auditor Sharron Walker: Thank you, Mayor and I did just want to comment that the results are certainly thanks to the staff throughout the city that participate in that accounting and accountability functions.

Mayor Lane: That's a very good add. We have a motion and my second on that with those comments. I think we are then ready to vote on that motion to accept. All of those in favor please indicate by aye and register your vote. It's unanimous, 7-0.

Thank you again very much for that. Thank you.

ITEM 11 – MONTHLY FINANCIAL UPDATE

[Time: 00:49:33]

Mayor Lane: Thank you, Mr. Nichols too for all you do to give us those reports and the entire staff, frankly. So with that, we will move on to the next item, which will bring Mr. Nichols to the podium and that our monthly financial update.

City Treasurer Jeff Nichols: Thank you Mr. Mayor. I would like to echo your thanks to the staff, that work with Sharon. As she noted, they managed the contract with the accounting firm. Two people in the audience tonight, the accounting director Joyce Gilbride and Anna Henthorn are responsible for compiling the reports and publishing them and responding to the auditors' questions throughout the scope of the audit. So kudos to them. They do a great job.

Mayor Lane: Very good and certainly our thanks as well.

City Treasurer Jeff Nichols: Thank you. I would like to start off with the monthly report that we give you each month. This is the end of the report in June and so looking at the graph, I prefer the numbers and you look at the 2016/17 forecast budget, and that was the forecast as of May of 2017, and then the actual for fiscal year '16/17, as we finish the year, you notice on the -- the taxes I will talk about in a minute, a slight unfavorable variance, we had some other unfavorable variances, state shared revenues down a little bit, and they were slightly lower than the league assist cities forecasted budget.

We had a slight variance of 1.2 million and 8% and building permit fees and charges. It's the fall off of the multifamily residential valuations decreasing. They were lower than estimated, but it's been offset by an upward trend in single family construction which is helping a little bit there, and then we

have some other charges for services. We have some positive variances, 800,000, 11%. We had some unbudgeted receive knew that the city enjoyed during the end of the fiscal year. Some of that was jail fees were higher than expected. We also some passport program continues to grow and we had some payments. One of which was an unbudgeted -- I don't know why it wasn't budgeted. It was the mobile integrated health program but the revenues were not budgeted but Honor Health did honor their contract and so we had a difference between budget and actual when they paid those charges.

You also notice a light increase in interest earnings, as the fed continues to ratchet up the interest rates. We continue to see a growth and right now about 180 days and longer our portfolio, our core portfolio is returning .29% and that certainly assists.

The transfers in was driven by greater than average water deliveries and so the transfer from the water fund to the general fund which is based on water sales increased slightly. If we look at the pictograph of the general sales tax, you see across the board, except for hotel and motel, slight unfavorable variance when compared to actual and here is that presented in numbers. Again, what we are seeing overall is the unpredictability of the timing of the collections no now that ADOR has taken over those services for us.

The outlier, the hotel/motel is one I reported earlier this year. It was uncovered in our review process and it was a business within the city of Phoenix, who around March started reporting their revenues, their taxes, their bed taxes as the city of Scottsdale business and we -- we will have that corrected. So if that was not in there, that one would have been a negative as well. So it's just the difficulty that we continue to work through with ADOR.

When we look at the uses, comparing forecast to actuals, you see slightly positive variance, personnel services, we continue to fill positions with people that are paid less than are budgeted in the beginning of the year. They are new employees and our tendency to bring them in at the lowest part of the scale, maybe 5% above. That's our business practice. And we have savings related to that.

You see contractual services and capital outlays. We were having a company come in and put new roofs on buildings or reroofing buildings or laying whatever it is that you put down on buildings to make them waterproof, but when we looked at it from an accounting standpoint, they were large enough that we are not going to have that be contractual services. That's a capital outlay and so we changed it from one category to another and it's causing a slight difference.

I will point out if you look at the \$3.8 million favorable variance and contractual services compared to capital outlays negative variance of \$1.2 million, there's still a time when we ask staff towards the end of the fiscal year, what do you think you can do between now and the end of the year and their appetite is bigger than what they can actually get accomplished. We usually see savings during this time of year. A positive overall variance and expenses of \$5.8 million. When looking at the variances, the positive variance, 94.1 million which then added to the undesignated up reserve fund balance, that was after -- that was after replenishing contingency.

What I would like to point out with this slide is the fact that we know we have several things that have happened since the year end. One of them was the -- we had about \$8.7 million of one-time uses, about 7.8 million of that was the Hall Parker case. We accrued it back to June but it was paid out in July. And so that eats up about 7.8 million of the 28.7 million. This year, you just approved a \$3 million transfer this fiscal year to go from the unreserved undesignated into the C.I.P. to address some food control projects and that will decrease that.

We have learned from the Hall Parker case we paid back the wages and now we just gave them the information so that they couldn't tell us the interest earnings on those wages that were improperly held from their pay check, what that is going to do and it will be undesignated hit. So when push comes down to shove, that will go down to \$17 million versus the \$16.4 million that we were forecasting earlier.

And with that, I would take any questions related to that update of the monthly financial update before I get to the update of the 2016 statement financial highlights and the statement of net position.

Mayor Lane: Thank you, Mr. Nichols on that report and I see no questions at this point in time for that. So if you want to proceed.

[Time: 00:57:27]

City Treasurer Jeff Nichols: Okay. So bottom line is bottom right-hand corner. You look at our balance sheet and our net position as a governmental entity -- and this is the whole governmental entity. So both the governmental activities and. Enterprise activities, we had a net position increase of about \$98.1 million.

You look at the change in cash and cash equivalents and I will look at the changes first of the \$56.9 million increase in cash and cash equivalents. The majority of that was related to the sale of debt in both the water and the airport recently, and those monies have not been spent. So, again we compartmentalized and we sold bonds for it.

We have the cash in the bank. It increased our cash and cash equivalents but we know we will be spending them as we deliver those projects. Receivables I will discuss a little bit later.

The other change in the assets of other, mostly a change in the deferred outflows, a portion of the pension that is paid, that is applicable to a future period is considered an asset. So then again, we carry it on our books as an asset. We look at our capital assets net of depreciation increased about 85.6 million. The majority of that increase is related to preserve land purchases of about 35.8 million. 2.6 million for a fire station, station 603 up on Indian bend and we also had about \$71 million in donations from developers, the land that coincides with street improvements.

You look at the slight decrease, and that's our SHROG. We make an investment in the plant at Phoenix at 91st and 23rd avenue and we have part ownership in that. So, again, we amortize those investments over time, and you look at the other enterprise activities, that's the capital assets within

the water, sewer and refuse funds.

Again, there's not much movement between fiscal years. We tend to have the same things affecting our balance sheet.

But there was a slight increase in accounts payable of about 2.7 million payroll had a slight increase. We have had April increase in salaries. About 1 million. And then interest payable increased by 1.3 million, that brings for that \$5 million.

Other liabilities, the majority is related to the net difference between actual earnings pension investment. And so that -- that increased about 12.8 million. That difference was about \$11.5 million of that increase. The net pension liabilities increased approximately 52.5 million. Breaking that down, Arizona State retirement system, unfunded liability increased about 4.1 million, and as you would expect with the Parker Hall case ruling, the PRS police department net liability increased by about \$35.6 million last fiscal year.

PSPRS for fire, if you remember when I was making this report last year, it was at actually an asset that we had a positive balance in that fund, and now it's a negative, about \$10 million. Our liability in the PSPRS fire increased about \$12.8 million. It's something the city manager talks about in his concern is our fire department continues to age, this will continue to grow and it's something I think we need to get out ahead of it, I believe, the city manager agrees with that as well.

You look at our bonds, loans and other payable increase, this is a -- a machination of a lot of stuff that takes place during the year. We, of course, pay off our debt but we also issue new money debt. We issued new money for water and sewer projects, \$42 million. We issued new debt for the airport, about \$25 million. And we also issued new debt to the preserve land purchase that was part debt, part cash that we had on hand within the preserve fund, though we did issue about \$20 million. We did also have savings with refundings of about \$9 million through the fiscal year and so that net decrease of 19.2 million is a compilation of all of those things happening.

If you look at our cash and cash equivalents, the one I talked about increasing to \$615 million, these are the different funds and it's how we segregate our cash so that we know, as Sharron Walker, the city auditor talked about, the fact that we get federal dollars and we have to show the feds that we spend that money for the purposes intended. We get state funding and then we have to show the state that we spend that money for the intended purpose.

This is all the different pockets of money. They are not extra money. These are monies that we know we are going to use to pay our expenses on an ongoing basis. They go up and down. They ebb and flow with our debt issuances and other things but they remain pretty solid.

You look at our receivables. Go back to the total receivables. The intergovernmental receivables of 35.6 million, a lot of that Maricopa County stadium district, you are all aware of the receivables they owe us payments and the Arizona tourism authority, that brings for \$13.4 million of these dollars.

We have the Crossroads East. We are starting to see development, at least begin the discussions up in that area but we have investments in Crossroads East that we will get back when the lands get developed and that's \$13.9 million. So those are the majority of that 35.6 million intergovernmental receivables.

We have other local taxes when consist of the taxes we receive from the state, privilege, transient, occupancies, some are ours, and some are the state shared revenues such as HURF. The charges for services, again, two enterprise funds. People have paid for water and sewer 15.3 million of that 17.1 million, and then the solid waste is 1.8 million, money that we have not earned yet. So we call it a receivable.

Interest and other, the vast majority of that is just miscellaneous. We do have some investments that we count. One is related to TGEN. We have an outstanding about \$2.4 million receivable with TGEN and we also have interest earnings that will accrue to the fund of about \$1.1 million, that we can take in as revenue for this fiscal year.

Property penalties. The vast majority is related to the court, of \$11.2 million on the courts books. We have some property taxes that have gone unpaid as of June 30th and that's \$1.9 million of that fund.

When you look at the other assets, the pensions, the vast majority of this, \$59 million, \$60 million, are actuarial, the PRSRS, they tell us the amounts but we take a retrospective look. When the actual valuation is done, it's done at 630, 2016, but we have been making pension payments all year in fiscal year '17. Again they are considered assets because of the measurement days and that's \$24.8 million of \$84.4 million.

Service concession arrangement is nothing but an asset. We most know it as Tony Nelssen Equestrian Center and other improvements where he do on the Bureau of Reclamation land. We are not able to do that. The accounting it's a service concession agreement we have to book it as such and depreciate it over time. We talk about this is due to our efforts to save taxpayers money but when we save them that money, we get the savings but from an accounting standpoint and the whole, we are told, well, you have to defer that savings if you will and amortize that over the life of the paying of those bonds. And so that's what that account is.

Our supplies and prepaid items, the vast majority of this is related to two agreements. The general fund, if you will, made an agreement with the airport fund, when we built the park and ride lot up on the airport property and we paid for that. But from an accounting standpoint, we have to again amortize that over the term of the agreement.

We also have a similar one, with what we refer to as the Scottsdale Fashion Square Parking garage, about \$27 million. And, again, we get that savings but then we have to amortize it over time.

And then we have supplies of about \$1 million.

[Time: 01:07:11]

Mayor Lane: Excuse me, Mr. Nichols?

City Treasurer Jeff Nichols: Yes.

Mayor Lane: You are at the end of this page. Just going back to the receivable in the fifth bullet down from the top under receivables, 13.1, what amount of that is in penalties?

City Treasurer Jeff Nichols: The penalties, it's court fees and fines, and it's \$11.2 million.

Mayor Lane: So it's the vast majority of that -- that particular bullet point?

City Treasurer Jeff Nichols: Yes, sir, Mr. Mayor.

Mayor Lane: Do we have any idea how old that is or how collectible it's assumed to be?

City Treasurer Jeff Nichols: I'm not sure if we have an aging on that. I believe we would have, like on most of our receivables but I can get that information for council.

Mayor Lane: Is that something that the court handles themselves or are we involved at all in the collections or does the state handle that for us?

City Treasurer Jeff Nichols: I'm not certain whether we work with the courts in the collections and the customer services. We do. I'm getting a nod that we do work with them. So it's not just the courts. We do work with the courts, our people and business services work our revenue recovery area work those collections as well.

Mayor Lane: Well, I'm just curious. Because I could imagine that could be a deep hole for some delinquencies and I don't know even according to state laws how they might be handles and whether it's an asset of any sort.

City Treasurer Jeff Nichols: From an accounting standpoint, it is an asset but whether it realizes and goes from an asset, from a receivable, to an asset of cash is the question I think.

Mayor Lane: And to use the term, whether there's a point in time where there's a write off or there's some other stipulation from the court penalties.

City Treasurer Jeff Nichols: I would have to converse with the court. I would imagine there's a statute and our ability to write that off is probably limited.

Mayor Lane: Thank you.

[Time: 01:09:06]

City Treasurer Jeff Nichols: Looking at our net capital assets. You notice that the vast majority of our assets within the governmental funds made up of land, approximately 3.14 billion or 72% of our total assets, are land and we do not appreciate those.

Streets and storm drains, however, 17% of the assets and building and land improvements about 8% of our total assets. But together, those four categories make up about 97% of our total assets and we will talk about depreciation in a later slide.

This is net of depreciation. So this is the assets we have on the books net of depreciation within the governmental fund. You look at the net capital assets by type for the enterprise funds.

It's not surprising that the water and the sewer systems are the dominant assets within our enterprise funds, even though we have the equity and the joint venture there of \$92.2 million. That is also the SHROG and then we have some other machinery and equipment, buildings and improvements but they pale in comparison to the sewer system, the water system and the equity and the joint venture.

So when we look at the annual depreciation by type, and depreciation can be a good proxy for what we should be investing in our capital assets. You will notice this on streets and storm drains, 50.6 million and if -- that's our depreciation. We would need to spend approximately 18.1 million more than we currently do. We have about \$32.5 million in streets and storm drains that we have in that category, however, to invest as much as we have invested in streets and storm drains we would have to increase that by about 18.1 million -- I'm sorry, I'm sorry. If you are confused, it's because I'm confusing you.

Financial assets by depreciation type, again, water and sewer system, 16.5 million and 33.1 million, the vast majority of the depreciation by type within those assets. Accumulated depreciation by type, streets and storm drains, again, the vast majority of our assets, 1,032,000,000.

Going back to the previous slide we have to invest \$1.8 million more in our streets to maintain the level that they are currently at and land, we increased those \$5.5 million this past fiscal year but we would have to increase that spending by about 15.4 million to again get to the point of where we are maintaining those assets and not letting them degrade past a certain point. The enterprise funds, our water system, depreciation by type, for accumulated depreciation by type over time, we have 463 million and sewer system of 219 million.

And our acquisitions by type. So this is -- this is a slide I wanted to get to you, you see streets and storm drains at 32.5 million, well, we are depreciating a little over 56 million and that's write get the 18.5 million, if we were adding to our streets, to the level that they are depreciating we would have to, again, spend about 18.1 million more, and the same, when you look at the buildings and the land improvements, 5.5 million, again, our depreciation was over \$20 million in that area. So we would need -- no, I'm sorry. Our depreciation was about 33.5 million. So we would need to increase that spending by that amount.

Acquisitions, water systems at 16.9 million. Again to keep up with appreciation for this fiscal year, we would have to increase that by 16.2 million and the sewer system additions of 9.2 million, to keep up with depreciation, we would have had to increase that spending by about \$7.3 million. So the total needed between those two assets would be about \$23.5 million in additional spending.

Yes, sir.

[Time: 01:14:03]

Mayor Lane: Mr. Nichols. Yeah. I'm just trying to equate this with outside of municipal government and fund accounting, when you say we would have to increase the funding by a certain amount because -- to keep up with depreciation, is this irrespective of whether or not there's a need for a given building, just on the basis of financial numbers of depreciation and accumulated depreciation, which somehow would have to fund our capital assets in order to keep up with that depreciation aspect?

In the real world, you look at depreciation, but could you have a fully depreciated asset and if you are maintaining it as I know we in the city do, there isn't -- we are not trying to recapture our capital asset balance, we are trying to make sure that we have a usable and functional asset and our infrastructure is secure. When it comes to streets or, I'm sorry, streets certainly but I was thinking in the enterprise, when you are talking about the water systems and the sewer systems that absolutely is a truly depreciating asset. But I'm also quite aware that our enterprise in that regard has a maintenance and an upkeep record that this is being almost rebuilt as a matter of not routine maintenance but on an ongoing basis, where -- and I don't know whether we capitalize all of those rebuilds or not, but they do add life to the -- even the machinery and the equipment in that infrastructure.

I guess I went a little bit past my question and that is, do we have some calculated effect that we would try to fund our capital asset in order to replace depreciation?

City Treasurer Jeff Nichols: Mr. Mayor, to answer your question, depreciation, again is a proxy. It's basically a degradation of the asset over time. So for a street, we pick that length of time. For a vehicle, we pick that length of time, for a building we pick that length of time.

When we look at the accumulated depreciation by time for the enterprise funds we have depreciated assets by \$463 million. Those assets are still in service. We are still using those assets. Much like the streets and storm drains, these are assets we have on the book.

Mayor Lane: Absolutely. Maybe it's in the way you are communicating it saying we would have to contribute another \$16 million to make up for this depreciation and I may not be hearing it right but it may be something to me that you are trying to communicate. Every capital asset depreciations, different assets at different rates.

I know how that works. You depreciate in the for-profit world where you have a bottom line effect, of course you are depreciating, you have a depreciating expense that you take against current earnings

as you use that asset. In our world, we don't have that same effect. I'm not familiar with the idea that we need to make sure we maintain a positive capital asset balance, irrespective of depreciation. If I'm fully depreciated across the board do we have the commitment beyond our maintenance and things that we keep those assets up to somehow reinvest?

City Treasurer Jeff Nichols: I don't know if it's a commitment. What I'm saying, annual depreciation, we'll take one asset class, streets and storm drains. So in '16/17, we depreciated and we dispensed \$50.6 million of our investment in just streets and storm drains.

Mayor Lane: On whatever useful life program it has indicated.

City Treasurer Jeff Nichols: That's correct. Then when we look at our acquisitions, the addition to that asset class that we made during this period of time, you look down on streets and storm drains and we added \$32.5 million. Now, some of that addition may include roads that we went in and did a total reconstruct. My belief would be the majority of that \$32.5 million is new roads. And I'm just saying that we are investing in that asset class to the tune of \$32.5 million when over time, we are expensing \$50.6 million. So that difference over time if we let that continue, I think you will see a degradation of the streets and roadways within the city.

Irrespective of our operating plan to -- to operate and maintain them and seal coat them. That extends the useful life of those streets, but it really doesn't get to replacing those assets. And I think there needs to be a difference between the two, maintaining them, and actually replacing them over time, when they get to the point where it's more costly to maintain them than it is to replace them.

[Time: 01:19:28]

Mayor Lane: You know, I think we maybe have just a little by different approach as to what we are trying to calculate here and I -- and I don't know that it's worthy of a conversation here. The only concern that I have is when we get into a position and say, we have depreciation. But it doesn't necessarily mean that somehow that investment in that one asset -- if we only had one asset, and it was fully depreciated, we didn't say, hey, we depreciated the last \$15 million, we will need to do something with this, because we may be maintaining this and it may be adding five or ten years life to it by virtue of things that we are doing that we are not capitalizing. I don't know that.

And for the sake of everybody else here, I may talk with you offline so I can be educated or get clear on it.

City Treasurer Jeff Nichols: I look forward to the discussion, Mr. Mayor.

Mayor Lane: Councilman Smith.

Councilman Smith: Thank you, Mr. Mayor. Maybe along the same lines and it may not be boring to the public. It may be instructive to the public to understand. You know, when we talk about depreciation, if you put it in layman's term and you go out and buy a new car, and at least conceptually

the car goes down in value, and the homeowner, we don't normally call it depreciation, but when you look up the book value of the car each year, it's less and less and less. And that's the ideal appreciation that's recognized in the marketplace on the car.

It's absolutely true, you can keep maintaining, it put in new oil and gas and polish it and take it to the car wash and whatever. Even do major overalls, engines, transmissions, whatever. But the car continues to depreciate and one day, whether you drive it seven years, ten years or however long you drive it, one day you are going to have to replace it.

And what accounting tries to do is capture in a numerical sense on a gross \$4 billion of assets, it tries to capture how much is stuff wearing out? And how much should we be planning to replace it? Can we drive that car, 15 years, 20 years? You obviously can if you keep throwing enough maintenance at it.

But what the numbers are telling us in the particular category that we discussed here, streets and storm drains, the estimate was the depreciation is \$15.6 million last year, and that's assuming that these streets and storm drains are going to last, as I recall, 30 years. So it's not a short time we are amortizing them over. And we put 32.5 million in and bear in mind that \$32.5 million was 2017 dollars it wasn't the kind of dollars that built this asset in the first place. So on a resource placement value, it's probably not even as much.

But there are reasons why we need to keep up with the depreciation of our assets. And it's not just to keep the city from looking tacky or wearing out. But there are systemic things happening in the city as well. We have population increase. We have housing increase. We have inflation factors to deal with. We have economic growth and all of these things put a burden on government, and if you think for a moment we could continue to sustain the city government at the level that it has been sustained, having a decrease in the net depreciable assets year after year after year, and it's been every year since 2008, then I think we are kidding ourselves.

That's why I say it's an unsustainable program and I let the numbers speak for themselves. Thank you, Mayor.

Mayor Lane: Thank you, Councilman. But since you wanted to continue this conversation, I'm just -- I have got to say, that's not the point of confusion, as far as depreciation and assets. The point of confusion is the city and most all municipalities run their long-term debt on a similar cycle to depreciation. So once something fully depreciated, if they need to, to rebuild it, they will generally take long-term debt to do exactly the same thing. There's an inverse in payment of actual cash.

But there isn't any dispute with what Councilman Smith has head as far as the city and its need to maintain itself and to be cognizant of its asset base and its infrastructure. It's something that a lot of communities are completely out of touch with, and that's why you see them in such great trouble. We are not there. And in spite of the claim that it's not sustainable, as it is right now, there are a number of things that affect this that are beyond depreciation in this discussion. So I will leave it at that.

But I do think it's time for us to move on and I apologize for bringing it up, as it is.

[Time: 01:24:40]

City Treasurer Jeff Nichols: To go to some of the other accruals and liabilities, the payroll and benefits. Accounts and interest payable at the end of the year from some of our liability standpoint, the majority of that being accounts pay ability, and interest payable, our debt service payments on June -- July 1st that we accrue.

We also have some payroll and benefits that, again, that we accrue them back to June but they will not be paid out until July. We accrue compensated absences both sick and vacation time that employees earn, that we know at some point in time they will be taking it. We will be paying it out. So we accrue those as a liability.

Some of other liabilities that we have, the largest one is related to -- it's pollution remediation. It's a liability we have in the southern portion of the city, where we remediate some groundwater pollution and we carry that as a liability on and we decrease that over time as we address that issue.

Getting to the net pension liabilities, the big figure, \$343.6 million in unfunded liabilities within our pension man. The public safety requirement for the police department is \$158 million of that figure and the public safety personnel retirement system and fire is \$10 million of that total figure.

Mayor Lane: Excuse me again, Mr. Nichols. Councilman Smith.

Councilman Smith: To the pension liability, we are paying what we are being asked to pay by the respective agencies, ASRS, and for the public safety, the PRPRS. We are not delinquent.

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Smith, that's correct.

Councilman Smith: We saw that this nevertheless went up by \$50 million. Is there -- do we have a way to amortize this number? Should we be concerned about -- I mean, I am concerned. Should the public be concerned that we are not paying this number down or that we don't have a program to pay it down? I mean, I know we are meeting our state obligations but what are other communities doing or how are other places dealing with this liability?

City Treasurer Jeff Nichols: Some other communities that I'm aware of, I believe Apache Junction is one of them, the city of Prescott is one of them, they have increased their transaction privilege tax or sales tax to fund the unfunded liability portion of their separate plans within public safety personnel retirement system. So they have done that.

Again, and this is smoothed out actuarially over time, the stance that we have taken is we are going to pay our bills when they come due. And you just tell us when they are due and we'll make those payments and we do.

But especially in relation to public safety personnel retirement systems and most notably P.D. right now, the increase for the dollar that we are paying -- so for every dollar we pay an employee, we pay the PSPRS and I would look to Ms. Doyle to see what that percentage is. But it's increasing and it's increasing at a more rapid rate, if you will. So as they tell us how much we owe each and every year and we pay those bills, the amount is a percentage of payroll is increasing substantially, and so I do think it's something that we have to address.

[Time: 01:28:34]

Councilman Smith: I think if I can have you talk to another aspect of this, which may be important to understand, but the liability is \$343.6 million, and we paid everything that we have been asked to pay but essentially that is -- that's money that we owe those pension funds and if we don't pay that in total, suppose -- I mean, we just pay what we are asked to. We don't pay the whole \$343 million, what do they charge us for interest for the next year?

In other words how much does this number go up? I think the answer is like 7.5% or something.

City Treasurer Jeff Nichols: I think it's about 7.4%.

Councilman Smith: So I think that the thing to remember here is that while we don't have an obligation to pay this down, by carrying this debt, it's some of the most expensive debt that we have in the city, costing us on the order of 7.5%, whereas you can borrow money other places at 3.5, 4%. And I think that's basically how the system works, right?

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Smith, yes, that is how it works. And they will -- again from an actuary standpoint, they will smooth that in over time, and you will pay interest on this outstanding liability that you have to include your current costs for the program.

Councilman Smith: Well, I would certainly like to have the city manager and the city treasurer and all other great minds in the city focus on this liability and noodle around on how we might reduce it or in some way avoid the huge carrying cost. Thank you.

[Time: 01:30:17]

Mayor Lane: Thank you, Councilman. You know, I think this is a very, very critical subject for us and one of the things that some cities have decided to do and that is to mat and refinance this kind of a liability, and it is not advisable and whether it's at 3.5% or 7%, simply because of what you said Mr. Nichols and that is that this continues to compound itself, and so now you have got a growing -- a further growing animal as you now pile on additional debt for it. It's a no-win situation.

One of the things that we are faced with right now, some communities are actually looking at that potential for bankruptcy and I know that that's -- and they are faced with -- they are smaller cities than ourselves and this doesn't constitute something along this line but this is something when you think

about our general -- this is more than our general fund. It's still a sizable amount of money. I don't know what this is up from last year, it seems like we are in the mid200s.

City Treasurer Jeff Nichols: No, total it increased about 50 some odd million.

Mayor Lane: Just from last year.

City Treasurer Jeff Nichols: With the majority of that being related to the change and the assumptions for the actuarial. So that will be built and the rates coming forward.

Mayor Lane: I would add to Councilman Smith's concern and maybe the direction we might want to be looking at. Not only what do we do with this particular balance, but what do we do to try to encourage maybe the additional tier of now defined contribution plans that are available in certain quarters, which does -- does have some prospect of reducing our overall liability going foot future for new employees.

City Treasurer Jeff Nichols: Well, Mr. Mayor, to your point, there were some statutory changes there was a Tier 3 and everyone hired after July 1st, 2017 will be under that plan. 20 years from now, that will have an impact. During the next 20 years, I have never heard anyone internally discuss one thing you were talking about, which I believe was pension obligation bonds and I would never recommend that because I agree, you are doubling down on a bet that you may lose.

I think the -- the program that I would suggest is just paying more as we did in the Parker Hall ruling. As you recall, we paid that \$7.8 million directly back to our employees, when PSPRS, they took it from the employee and they put it in the employer bucket. We have used it and we chose not to, because we know this problem exists. So we didn't want to exacerbate the problem internally with our actions and so I think we took the right action.

What the other communities are doing, you know Prescott, they raised the sales tax for a specific period of time or until the unfunded liability is below a certain level and they will make additional payments into the system above and below what their required contributions are or their monthly or annual bills that they get. They will just make additional payments to pay the stuff.

Mayor Lane: Obviously, I favor a long-term solution, certainly as far as how this continues to develop, but I don't take exception with the original comment and that's that we need to get serious about how we are going to address this number, particularly as it continues to increase.

City Treasurer Jeff Nichols: Yes, sir. And to the -- getting to the bonds and loans and other payables. We have the takeaway from this slide, I want people to understand from their perspective out there in the public, the up err right-hand corner general obligation bonds of 250.8 million. That is the only part of our debt that is secured by secondary property taxes that we make those payments with.

The water and sewer debt is paid with rates, the preserve debt that we have issued both the spa and

the G.O. we are paying with preserve sales taxes. The cops are paid off with the general fund, the CFDs, people tax themselves to pay for the districts they live in. And the excise tax we have identified rates fees and revenues that we have paid that debt.

I think we are in a good position but I know every once in a while, you will see a comment in the paper or out on the blogosphere if you will, that we are in more debt than any city in the state of Arizona. And I just take issue with that because I think we are managing our debt very well, in the city of Scottsdale.

Some off balance sheet liabilities that we do have, liability to be earned by employees during future services that's calculated actuarial number. We also have some implicit subsidies and those have been drastically reduced if you remember in the past, the only implicit subsidy that we have now is for the health insurance for medically retired employees which there are not that many. This used to be available to all city employees but this was discontinued a number of years ago.

And with that I would take any more questions that you all have, if you do.

Mayor Lane: Thank you, Mr. Nichols. I think maybe we asked some of the questions along the way. Right now I don't see any further questions on the subject. So thanks.

ITEM 13 – 2018 STATE LEGISLATIVE AGENDA

[Time: 01:36:10]

Mayor Lane: Okay. Our next order of business is our 2018 state legislative agenda. And we have Mr. Lundahl moving to the podium, our government relations director. And what I'm going to do because this is sort of on the order of our discussion on this, we do have one request to speak on this subject. So I will go ahead and ask them to -- oh. I'm sorry. I just got notice that she's not here. So never mind.

Government Relations Director Brad Lundahl: All right. Thank you, mayor and members of the council. I'm here once again to go through our legislative agenda for this upcoming legislative year. I will start right into it.

This will be -- this session will actually start on January 8th this year. The leadership and the house and the senate remains the same.

First, let me remind you how we put this together. I collect information data from department heads, city manager, interested parties throughout the city and then I also meet with councilmembers and I collect your thoughts and I put them in to our legislative agenda and boil it down into these different sections. If you remember we have our core principles which are value Scottsdale character, preserve our local funding and oppose preemption of local authority. We also have policy statements and the next section will be our key positions.

Just to remind you, you can add or subtract to any of these items tonight. Amend them along the way and at the end, I will ask you to approve the agenda in its whole.

These key positions, this is really the section that I will work with the most when I meet with our legislators. I call it my elevator speech, because time with them is so valuable. I don't really have the time to go through our whole agenda when I do have the opportunity to meet with them. So when I do meet with them, they ask, what are your main issues? So I can point right to our key issues and get the conversation underway and relay that information to them.

So our first one will be support reasonable and revenue neutral changes to existing laws that further purpose of simplifying the construction sales tax. If you remember over the past several years, the state has tried to simplify the sales tax system and we are generally supportive of trying to do that, however, there has been some mixed reviews on the ending result of that. So there will be further work on that and we would support something that does actually simplify the collection of taxes, and you will see there's more on that later on.

Part of that tax simplification was a change in the way we collect construction sales tax or impose construction sales taxes. That's led to a lot of confusion over the years and there's been several bills that seek to change the way that construction sales taxes are collected to be materials only or where the materials are purchased. This would have pretty dramatic impacts on the collection of not only our sales taxes but the state overall. So we would not support that.

Next is to support legislation to better identify the short-term rental properties that are in Scottsdale. Going back in time, you remember there was legislation on short-term rentals, dubbed the Airbnb bill that allows three rentals to occur. There's likely to be legislation to help better identify where these are, so that taxes can be collected.

Next, we would support legislation if there is some to provide better oversight of group living homes for public health and safety there is likely to be legislation on this. I think the league of cities and towns is considering something on that. So depending on how that looks, we would support that.

Next is we would oppose legislation that would essentially eliminate the residential rental tax. There have been bills in the past and as in past, we would oppose that as well.

Also on one of our key positions is support the continued viability of HURF funding to the city. If you recall a lot of HURF revenues over the years have been diverted to help fund the department of public safety. There has been some movement in the years to return some of those monies back to the cities and counties. We would like to see that trend continue.

Next we have economic vitality and tourism. We would support increasing funding to basically promote the state as being a good place to be.

We would also support positioning in Arizona and our major events in promoting those major events and support the policies that enhance Arizona's reputation as a world-class medical destination

because medical tourism is something that is on the radar screen, especially here in Arizona. From what I have heard, a lot of our Canadian visitors will travel here in the winter months and use that as both a medical purpose and a tourism purpose.

Next economic and vitality, tourism continues to support small business, by reducing unnecessary obstacles, support job creation measures, and support legislation that embraces the emerging technology. A lot of new on the cusp technology, such as autonomous vehicles and things like that, we would be supportive of that.

In support for the reauthorization of the ACA, or the Arizona Commerce Authority, that does sunset sometime in 2018. So we would be supportive of continuing that. So that it does not sunset.

[Time: 01:43:13]

Mayor Lane: Brad, just a quick comment or maybe just an expansion on the support of small business by reducing unnecessary obstacles. One of the prime points that some of our legislators are talking about right now, and that is the licensing of low end professional services and when I say low end, not doctors and lawyers and that, but some of the -- what would normally be considered trades. I think hair dressing has been, you know, one the primary ones that's been out there.

But I do know that there's some efforts on that and I presume that falls in under this category here?

Government Relations Director Brad Lundahl: Mayor, that would be correct. Again, it would be something I would bring back to council. But in a general purpose, we would support trying to lessen the burdens on small business.

Mayor Lane: Inclusive of the fees that are extracted?

Government Relations Director Brad Lundahl: Yes.

Mayor Lane: Okay.

Government Relations Director Brad Lundahl: This is a repeat, if you recall there was a lawsuit a few years ago on the way that the sports stadiums were being paid for and there was a rental car surcharge. That surcharge was ruled to be unconstitutional and a subsequent court ruling said that the fees that were collected need to be repaid back to the rental car companies. So long story short, that leaves a lot of money out that would normally go to pay for the stadiums. There's likely to be an appeal -- or there is an appeal on that and we will likely need to find an additional funding source for repayment of some of the stadium renovations and expansions.

Mayor Lane: How much support do we have across state in this regard? Obviously, there's certain players. City of Scottsdale has quite a bit of exposure under this adverse ruling in this regard. Last time I have looked at it or it was reported, was some \$21 million but there would have to be other municipalities in other similar situations.

What I'm saying is from the standpoint of capital, political capital, though, we might be able to muster, should we be able to play positively. Should we start to rethink what might mitigate that impact on us?

Government Relations Director Brad Lundahl: Yes, that's a great question. Statewide, we are -- the cities that have stadiums, such as us, we are kind of a small group versus statewide. So this would be an uphill battle for us, which is one of the reasons why I want to put it on the agenda to keep reminding legislators that this problem does exist and we eventually will need to find a solution for it. Yes, we are in the minority, I would believe.

Mayor Lane: Does the current lawsuit that's under appeal, does it contain any feature that is retroactive repayment?

Government Relations Director Brad Lundahl: Mayor, yes, I believe there is. I forget which years they sought to get repayment done, but there is.

Mayor Lane: So that likely would change the number that I just mentioned if we were to go retroactive?

Government Relations Director Brad Lundahl: Yeah.

Mayor Lane: I guess I had understood our exposure was \$21 million but that was going forward on outstanding obligations that are funded by it right now.

Government Relations Director Brad Lundahl: Mayor, the way I understand it, it would only impact the \$21 million that we are talking about. We wouldn't have to pay out anything, if that's what you are --

Mayor Lane: We wouldn't have to pay something that's already been paid from that fund.

Government Relations Director Brad Lundahl: That's my understanding.

Mayor Lane: Okay. All right.

[Time: 01:47:19]

Government Relations Director Brad Lundahl: This one came from transportation. Support the viability of the state aviation fund and including the insurances that fuel taxes will be placed in the fund and returned to the airport where those taxes are collected, basically kind of the return to sender. If the funds are collected here in Scottsdale, the funds should stay here in Scottsdale.

Next was a recommendation from the human relations commission and it was to support efforts to amend state laws to prohibit discrimination and employment, housing, and public accommodations

based on sexual orientation and gender identity. So this would be -- if there is legislation introduced, that addressed these issues we would support that.

Next, if something that popped up from a -- another case of violence in a bar not here in Scottsdale but somewhere else, and there is a legislator that is contemplating kind of could be copying what we did in our public safety plan ordinance that was passed a couple of years back we generally would support them in their efforts as long as the statewide effort doesn't create some unforeseen circumstance with our ordinance and kind of overrule what we have already done because we think we have done a pretty good job on that ordinance, and so I just wanted to make sure that whatever state does, doesn't hamper or reduce the effectiveness of our ordinance.

Next, opioids is going to be a big discussion item at the legislature this year. So we would essentially support legislation to expand the use of opioid inhibitors such as Narcan by professionally trained public safety personnel. This was one of the governor's executive orders. There should be an attempt to codify that and we would support that.

Next, fireworks, an ongoing issue for us. We want to protect our preserve and our neighborhoods. So we would oppose the expansion of fireworks.

Protection of our fire code, once again as a carryover from previous years and oppose legislation to pass or enact local risk reduction measures.

Moving on to preservation and environmental planning, this goes to the first -- the first bullet goes to the elimination or the minimization of sodium through water softeners. This is an ongoing effort of ours for a couple of years now and then next, bullet is to address course management. This has really garnered the favor of rural legislators who are very happy that a somewhat urbanized city like Scottsdale is out there fighting the good fight on forest restoration and forest management and this overall is to reduce the risk of wildfires, which being a downstream community imposes lots of additional cost to the city when we have those fires.

Next is water service. We support the state-led efforts in working with stakeholders to identify solutions to improve the overall management for Arizona's groundwater and the state's allocation of Colorado River water. The department of water resources and the governor's office is working on a package, a large water package that's comprehensive with the idea of addressing potential drought conditions, and ensuring that we have future water supplies, especially related to Lake Mead and the storage capacity of Lake Mead. So we would support that, and I will be bringing that back as the package is introduced.

[Time: 01:51:58]

Mayor Lane: Just for the record this is not being developed in isolation with the water resource department and the governor's office. This is a collective group of tribes and stakeholders on all levels. In any case, I want to make sure that it's not strictly --

Government Relations Director Brad Lundahl: Mayor, you are correct. It's actually a very large stakeholder group that's working with them as well.

Government Relations Director Brad Lundahl: Moving on to protect the city's surface groundwater supply and ensure the city's role in management and continue the reclaimed any remediated water. Again, a carryover from previous years. With that Mayor, Councilmembers, I would be happy to answer any questions.

Mayor Lane: Thank you, Brad. I appreciate it. I do have some questions or comments. We will start with Councilman Smith.

Councilman Smith: Thank you, Mayor. Brad, I know that you had in one of the slides that we will oppose the state taking any action on residential rental tax.

Government Relations Director Brad Lundahl: Correct.

Councilman Smith: You and I have talked about this some, and I support the idea that we should oppose the state taking any action on this tax, only because I think it's none of their damn business. I think what we tax should be determined here locally.

But having said that, I will say that the residential rental tax that we have, that any city has is probably the second most punitive tax that the city can impose. It's imposed most vigorously and most onerous on our lowest income individuals who have no choice but to live in residential rental properties and it's the only tax that we have that is double taxation. We tax the property for property tax and then we tax the revenues from the rental as a sales tax item. So one day I would consider it appropriate for us to consider repealing that, but I certainly don't think it's the state's responsibility.

But with that clarification, the only other item I wanted to comment on was the position we are taking on the opioid program at the state level and I think the recommendation was that we support the wider use of opioid inhibitors. And while I don't particularly disagree with that position, I would make the observation that these inhibitors is -- it's closing the barn door after the horses are out. The real problem is the prevalence the spread of opioid addiction in communities. I would love for us to support some type of state program to actually address resolving the problem, rather than simply treating the symptoms. Thank you, mayor.

Mayor Lane: Thank you, Councilman. With that, we have to further comments or questions on it. So thank you very much for the presentation and --

Government Relations Director Brad Lundahl: Mayor.

Mayor Lane: Do we need to accept the --

Government Relations Director Brad Lundahl: Yes.

Mayor Lane: Accept that then?

Government Relations Director Brad Lundahl: Yes, I need direction on whether to accept it.

Mayor Lane: Then I would ask for a motion to approve the city of Scottsdale's 2018 state legislative agenda.

Vice Mayor Korte: Mayor, so moved.

Councilwoman Klapp: Second.

Mayor Lane: Okay. Vice Mayor, I will give you the motion and -- or former Vice Mayor the second. In any case, yes. So the motion has been made and seconded. Seeing no further comments then, all those in favor please indicate by aye and register your vote. It's unanimous acceptance. So thank you, Brad, again.

CITIZEN PETITIONS

[Time: 01:55:58]

Mayor Lane: That concludes the regular agenda items, no public comment cards and we do have a citizens petition to consider. And just in case you didn't have the opportunity to read it and it's been a little while, since it was addressed at the beginning of the session, but this is a petition to extend bus service to Scottsdale Ancala business district at the intersection of Frank Lloyd Wright and Via Linda. The following businesses are hereby requesting the reestablishment of the bus services for the benefit of all citizens in Scottsdale. And it goes into some of the comments that were made and what that would accomplish for employees and providing employees to outlying areas to continue the upscale level of service for all businesses. That's the petition that was presented by Mr. David Schacter earlier on.

Do I have a motion to direct the city manager to take some action or -- I see we have council --

Councilwoman Klapp: Mayor, I'm on the list. So I would like to make a motion to direct the city manager for the petition request, the transportation division, submit a written report to the council and to the petitioner.

Councilwoman Milhaven: Second.

Mayor Lane: Very good. The motion has been made by Councilwoman Klapp and seconded by Councilwoman Milhaven. Seeing no further comments on the petition at this point in time, then I think we are ready to vote on that action or that motion. All of those in favor, please indicate by aye. And it's unanimous, 7-0 to direct the city manager accordingly.

So that, to the best of my knowledge concludes -- yes. I'm sorry. One more item? Oh, I'm sorry. How did I miss this? Oh, yes, I see. Pardon me. I got it. I do have it.

ITEM 15 – REGULATION OF CAMPAIGN FINANCE CONTRIBUTIONS

[Time: 01:58:15]

Mayor Lane: Pardon me, Councilman Smith. Yes, item 15, the regulation of campaign finance contributions and at the request of council Smith staff to direct staff to agendize a presentation, discussion and possible direction to staff regarding an amendment to the city charter that would provide for the regulation by ordinance of campaign contributions in Scottsdale municipal elections. In the request to agendize something, there's not much to be said about it.

Councilman Smith, if you want to just indicate maybe what your intention is, which has been stated there, of course.

Councilman Smith: Thank you, Mayor. There are only two issues of city autonomy we have, one is on zoning regulations and the other is regulation of our local elections but a couple of years ago the state legislature modified the contribution limits, including the contribution limits for local elections. Increasing the amounts to \$6,250.

One city in the valley took issue with that, asserted their local authority, that's the city of Tempe. They actually put a charter amendment out to their citizens. The citizens passed it. They put it in the charter and the governor took a long time to sign that, because it was at odds with what the state law was but he did sign. And he did therefore affirm local control.

What this item is discussion is that we have a conversation in Scottsdale to determine what we want to do to affirm -- if anything reaffirm our control over local elections.

Mayor Lane: Very good. Thank you, Councilman Smith. Then I would ask if there is a motion to give that direction to the city manager and staff.

Councilman Smith: And I certainly make that motion, yes.

Mayor Lane: And the motion has been made.

Councilman Phillips: Second.

Mayor Lane: No further comment. Unless you would like to speak towards the second. I think we are ready to vote on it. Those in favor aye. Those opposed with a nay. The motion fails 4-3, with Councilwoman Milhaven, Councilwoman Klapp, myself and Vice Mayor Korte opposing.

ADJOURNMENT

[Time: 02:00:46]

Mayor Lane: So that now -- now that does complete our work here today. So I want to thank everybody for all of the work that's been done to bring this to go and to council for their questions and going through the process with us on all of this. So with that, I would ask for a motion to adjourn.

Councilwoman Klapp: Move to adjourn.

Vice Mayor Korte: Second.

Mayor Lane: The motion has been made and seconded to adjourn. All of those in favor of adjournment, aye. We are adjourned.