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#### **CALL TO ORDER**

[Time: 00:00:09]

Mayor Lane: Well, good afternoon. Good to have you here with us today. I would like to call to order, the May 22<sup>nd</sup>, 2018, it's a Regular Meeting and it's approximately 5:00.

#### **ROLL CALL**

[Time: 00:00:17]

Mayor Lane: And we'll start with a roll call, please.

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Virginia Korte.

Vice Mayor Korte: Here.

Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilmember Klapp: Here.

Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

Carolyn Jagger: David Smith.

Councilman Smith: Present.

Carolyn Jagger: City Manager Jim Thompson.

Jim Thompson: Here.

Carolyn Jagger: City Attorney Bruce Washburn.

Bruce Washburn: Here.

Carolyn Jagger: City Treasurer Jeff Nichols.

Jeff Nichols: Here.

Carolyn Jagger: City Auditor Sharron Walker.

Sharron Walker: Here.

Carolyn Jagger: And the Clerk is present.

[Time: 00:00:40]

Mayor Lane: All right. Thank you. Some items of business, if would you like to speak on any of these topics, we have a white card that the city clerk is holding up over her head to my right, your left, over here. For Public Comment or any of the items on the agenda. We also have the yellow card which she switched hands for any written comments would you like to give us on any of the items on the agenda. Those cards will be read during the course of the proceedings.

We have Scottsdale police officers Jason Glenn and Tony Wells right here directly in front of me if you have any need for their assistance and the area behind the Council dais are reserved for Council and staff. We have restroom facilities over here under the exit sign over to my left and your right.

**PLEDGE OF ALLEGIANCE**

[Time: 00:01:19]

Mayor Lane: So we will start proceedings this evening with the Pledge of Allegiance. We have Troop 1667 and leader Anita Elco here with her group. Ladies, if you could come forward. Do we want to move the mic? I don't know if that is necessary or not. Thanks. For those in the listening audience. Any time you are ready.

Girl Scout Troop 1667: 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, ladies. Please turn the microphone around and if you will, again, please just introduce yourself and tell us what school you go to and your favorite subject, if you would.

I'm Payton, I go to Basis Scottsdale and my favorite subject is math. Hi, my name is Mia, I go to Liberty Elementary and my favorite subject is writing. Hi, I'm Alese, and I go to Liberty Elementary and my favorite subject is writing. Hi, I'm Candace Jones. I go to Liberty Elementary, and my favorite subject is math. I'm Genevieve and my favorite subject is math. I'm Lila Craig and I go to Liberty Elementary and my favorite subject is writing. I'm Chloe and I go to Liberty Elementary and my favorite subject is math. Hi, I'm Sophia. I go to Liberty Elementary, I go to Liberty Elementary and my favorite subject is writing.

Mayor Lane: All right, thank you, ladies. Thank you, ladies and you are certainly welcome to spend some time here with us.

**INVOCATION**

[Time: 00:04:11]

Mayor Lane: Our next order of business is our invocation and we have Azra Hussein, president of the Islamic Speakers Bureau of Arizona to give us the invocation this evening.

Azra Hussein: In the name of the God, the most compassionate, most merciful, all praises for God, Lord of all the world, the most compassionate, the most merciful. Master of the day of judgment, you alone we worship and you alone we ask for help. Guide us along the straight path, the path of those who you have blessed, not those who you are displeased, I'm sorry, who you are displeased with or those who are astray. This City Council has the role of leadership and of service. Elected officials cannot use one without the other. Leadership alone is not good, is no good to our community, if it

does not serve the people of this community in their needs and to the betterment of the city. Service alone is no good without the Council taking the lead in protecting the citizens and making tough choices for the sake of the whole community. May our creator guide this Council to listen carefully, and to make fair and just decisions for all citizens of Scottsdale. May our lord bless and keep all of our men and women who serve in the armed forces in the past and to all of our police officers, amen.

Mayor Lane: Thank you, Azra.

**MAYOR'S REPORT**

[Time: 00:05:56]

Mayor Lane: Well, first order of business, I would like to note that tonight is Vice Mayor Korte's last meeting as Vice Mayor and as of June 1<sup>st</sup>, Councilman Phillips will be our next Vice Mayor. I want to thank the Vice Mayor for her service over the last several months and a job well done. So thank you very much and service in the Vice Mayor position.

Vice Mayor Korte: Thank you, Mayor.

Mayor Lane: And we will welcome Councilman Phillips taking on that position at the next meeting.

I would like to congratulate our Water Resources Director, Brian Biesemeyer as he was awarded the Arizona Water Stewardship Award on May 2<sup>nd</sup> this award is presented to a person who has contributed significantly to the protection and enhancement of the environment along with the energy management and sustaining practices in Arizona's water and waste management industry. So I want to just congratulate Brian. Brian is here with us. Brian, please stand and be recognized. And for a job well done.

They have a program called Bench the Bag from February 5<sup>th</sup> to March 9<sup>th</sup>, eight Scottsdale elementary schools and middle schools participated in Bench the Bag program. If you are not familiar with this program, you might have the same question I did. Exactly what does that mean? But I will, it may come to you as I go through some of this. During the program, schools competed against each other while, Scottsdale schools to recycle the most plastic film per capita while students learned of the importance of recycling and keeping plastic out of the landfills.

Eight Scottsdale schools participated in this year's program and together they collected 5,291.7 pounds of plastic. Now, we know the kind of plastic we are talking about, the thin film plastic that doesn't weigh very much, to get a couple of tons to get out of that stuff, I'm sure they had a lot of work on their hands and they did a great job. This year's first place winners are being awarded a bench, thus Bench the Bag. Because it's made out of this plastic. So they are being awarded that bench for their school made from recycled plastic and every school who participated received a bird house made from the thin film plastic that was recycled during the competition.

I want to give congratulations to Sequoia Elementary School whose students collected 2,126 pounds of

this thin film soft plastic, which breaks down to 4.61 pounds per student. By reducing, reusing and recycling bags, your family can help reduce litter and save natural resources. So please help in the recycling of our plastic bags and packaging each year, every year long. And congratulations to Sequoia. Give them a hand, even though they are not here.

[Time: 00:09:29]

So next order of business here on the front end on some of the Mayor's Report, the home, if you are not familiar, Scottsdale brought in this type of system to residential homes. It's one of the first and foremost in the state and maybe beyond that. Something that was always applied to commercial buildings, but it's been quite a while. The city of Scottsdale did this in 1985. There have been other cities that have done it since, certainly.

Scottsdale City Council made mandatory residential fire sprinklers for new structures, making us first U.S. city to put those safety measures into place. Since the ordinance's adoption, Scottsdale's total fire loss is consistently about one-third of other comparable communities. Scottsdale's forward-thinking fire sprinkler laws have undoubtedly saved lives and property. Now, I will read the home fire sprinkling proclamation, and I would also like to invite Chief Shannon up to accept the proclamation to take a picture as well. I will read the proclamation as he makes his way forward.

The proclamation reads as follows: A home fire can become deadly in less than two minutes due to today's light weight construction materials and common synthetic furnishings that produce toxic smoke; and whereas, our homes should be the place where residents feel safe and; whereas home fires put our firefighters and emergency responders at risk through a wide range of exposures that can lead to significant health issues; and whereas combined with working smoke alarms and proper fire escape planning, fire sprinklers in all new homes can dramatically increase the safety factors and reverse the effects of home fires; and whereas the city of Scottsdale is the community risk reduction and all of our new homes, constructed since 1986; and whereas, by taking part in a national day of action, we would like to recognize that protecting new homes with fire sprinklers has and will continue to make the future safer for our residents, first responders and the entire community for generations to come. So I therefore, Jim Lane, Mayor of the city of Scottsdale do hereby proclaim a home fire sprinkler day, and Chief Shannon if you can come forward, please.

#### **PRESENTATIONS/INFORMATION UPDATES**

[Time: 00:13:01]

Mayor Lane: Okay. We have one other really nice piece of business. We have a check presentation to Operation Fix-It. And Mark Dewayne, president of Scottsdale Business Development Forum, and Michele would like to come up for a presentation, if you would. Let me say a few words about the program. If you are not familiar with Operation Fix-It, it's one of the finest examples of a community-driven and sponsored program with volunteers and money. To help folks in our community who may not have the resources or may be elderly and not able to physically do some of the things to maintain their property. So protection of themselves and their neighborhoods, and

their neighbors, it is a community, neighbor-to-neighbor thing. I don't know what it was last year, Michele, but 700 volunteers?

Operation Fix-It Program Manager Michele Holmes: Yes.

Mayor Lane: Yes. 700 volunteers from across our city to help people maintain their yards in the community, to make sure that they feel proud to be in Scottsdale. So it's a great presentation and we are going to be surprised by the amount of money, I think, we have a record breaking amount here.

[Time: 00:15:17]

Mark Dewayne: So about eight years ago a friend of mine and I were sitting at the State of the City address and I looked around and I realized that the attendance was kind of light and Mayor Lane was kind of small down there on that stage. And the content was good, but the attendance was light. And I said to him afterwards. I said, I think we can do a better job, and so the Mayor and I talked and our good friend Greg Patterson, and we decided to move the state of the city address to give some business to one of the local hotels. But also make it much bigger and representing what the city of Scottsdale is all about.

And I looked and the city of Phoenix had 1,000 people or some number close to it attending their state of the city. And so we ramped that up. And we ran it in such a fashion that we were able to create excess funds from running that without touching any of the city budget or anything that goes on here. And so with that, we increased the attendance between 500 and 600 people each year for lunch and we generate excess funds which go back to Michele's organization, Operation Fix-It.

And I just want you to think about it for a second. We are bombarded every day with negative news about what's going on in this world. Individually it might seem very difficult for us to make a difference out there in what's going on. Each individual City Council person can't make laws, change laws, or really affect much, but collectively, they can do a lot. And they meet here on common ground frequently to affect change for the betterment of the community, and that's what Michele is trying to do is garner the support of volunteers to help people who can't help themselves living in houses that might not be up to code. And so when you are driving home and listening to the radio and you think there's not a lot of about stuff out there, what happened in here is good stuff. And so I'm really proud to present this check every year, and I would like Michele to say a few words about the organization and the amount of man hours, people and the lives they affect. So thank you on behalf of our ability to produce these funds for you.

Michele Holmes: So Mayor Lane, I need you back down here, please.

Mayor Lane: Oh, all right.

Michele Holmes: I was running this program and working in code enforcement simultaneously and it was getting pretty busy. And this gentleman came in and we met and we decided to relaunch the program and with his backing, his support, we have been able to blow up the program and assist

former people than I ever thought we were going to reach. Since we evolved the program and relaunched it, we have assisted, we had over 3,000 volunteers come into our city. This gentleman has given over \$100,000 to this program through Scottsdale business development forum. And thank you, Greg, wherever you are. It's been amazing. We do 200 plus projects every year. There's somebody in the audience today. There's actually a couple of people in the audience today that have actually come out and volunteered with us. I think it gives them a different perspective and how they can change their community.

I hope you look into what Operation Fix-It does and I hope you see many faces come out, and put some sweat equity into the program and if you are not somebody that likes to enjoy physical labor, I take money. And I also take donations and we are tax deductible. So please come out and learn more about us. Get involved and we really are making a difference house by house. Tonight, this is long overdue. So I want to give Mayor Lane and Mark their award, because like I said, they are very long overdue. I will just warn you, you are heavy. You can work out with them later. I want to thank you for your cooperation.

Mayor Lane: Well, thank you very much. It is, it is a community effort. SBDF is a group of business people who have gotten to go for many years for a group that has helped me with some of the business issues within our city and that, and certainly mark has been at the head of that for a number of years now. But the idea of moving the state of the city to a fund-raising operation is really what facilitated a tremendous expansion and particularly at a time in 2009 and '10 and '11 and '12 for that matter when people were having a lot of difficulty maintaining their homes and thus our neighborhoods. I want to thank you very much for the recognition and the award as well, but it really is credit to everybody who has ever contributed to it, attended that state of the city and as part of that contributed to it as well. So thank you very much for all of that.

#### **PUBLIC COMMENT**

[Time: 00:21:49]

Mayor Lane: Moving right along, the next order of business is Public Comment, and I'm seeing no cards. I will just make the announcement that Public Comment is reserved for citizens comments regarding non-agendized items with no official Council action taken on these items and comments are limited to issues within the jurisdiction of the City Council. There's a limit of five speakers. We do have time at the end of the meeting to do the same.

#### **ADDED ITEMS**

Mayor Lane: The Council report and supporting materials for Item Number 33 were added to the agenda less than ten days prior to the meeting and by virtue of our policy, they will require a separate vote to remain on the agenda. So my request would be to, for a motion to accept the agenda as presented, or a motion to continue the added items to the June 12<sup>th</sup>, 2018 Council meeting. Do I have a motion one way or the other?

Vice Mayor Korte: Mayor, I move to accept the agenda as presented.

Councilman Smith: Second.

Mayor Lane: The motion has been moved and seconded. All those in favor of the agenda as presented, indicate by aye. It's unanimous then on that. Thank you very much for that.

## **MINUTES**

Mayor Lane: Next order of business would be for a request to approve the Work Study Session minutes of March 27<sup>th</sup>, 2018, and April 17<sup>th</sup>, 2018, Special Meeting minutes of April 17<sup>th</sup>, 2018, and Regular Meeting minutes of April 24, 2018, and May 1<sup>st</sup> of 2018. Do I have a motion to approve those Work Study minutes?

Vice Mayor Korte: So moved.

Councilman Smith: Second.

Mayor Lane: Motion has been made and seconded. We are then ready to vote on those minutes. So all of those in favor, please indicate by aye and register your vote. Thank you. It's unanimous on the minutes. Thanks very much for that.

## **CONSENT AGENDA**

[Time: 00:23:54]

Mayor Lane: The next order of business is our Consent Agenda Items 1 through 31. I see no questions on those items, as they stand right now. So then I would accept a motion to accept those agenda items.

Vice Mayor Korte: Mayor?

Mayor Lane: As indicated.

Vice Mayor Korte: Mayor, I move to accept Consent Agenda Items 1 through 31.

Councilwoman Klapp: Second.

Mayor Lane: Motion has been made to accept the Consent Agenda items as been proposed, 1 through 31. And seconded. All of those in favor, please indicate by aye and register your vote. Aye. It's unanimous on the acceptance of the Consent Agenda items. So if you are here for the Consent Agenda items, you are certainly welcome to stay with us for the rest of the evening which could be very long and arduous, but nevertheless, you are welcome to stay. If not, please leave quietly.



**REGULAR AGENDA**

**ITEM 32 – PUBLIC HEARING AND ADOPTION OF FISCAL YEAR 2018/19 RATES AND FEES**

Mayor Lane: Moving on to the Regular Agenda Items, 32 through 34. We have public hearing and adoption of fiscal year 2018/19 rates and fees. We have our presenter at the podium, Judy Doyle.

[Time: 00:25:07]

Budget Director Judy Doyle: Thank you. Tonight's first topic is the fiscal year 2018/19 rates and fees. On March 6<sup>th</sup>, each of the directors presented in detail their proposed new and/or rate and fee changes. The proposed rates and fees were then posted to the city's website in mid-March. So the public would have an opportunity to review at least 60 days prior to this evening's meeting. Tonight does serve as the final hearing on the proposed rate and fee changes. So in lieu of each of the directors coming up for a second time to walk you through all 79 slides that detailed the proposed rates and fees, I'm going to just give a brief recap.

I will note that the details of the proposed rate and fee changes are included in your Council report as well as that original March 6<sup>th</sup> presentation is included in tonight's 00:27:14 packet as well, as well as each of the directors are available this evening, if you have any questions. So to summarize in the Enterprise Funds, the city is proposing within Water Resources an increase to the sewer rates effective July 1<sup>st</sup>, which will increase sewer revenues by approximately 1.5%. The city is also proposing effective November 1<sup>st</sup> an increase to water rates, which will increase water revenue by approximately 2.8%, as well as an increase to miscellaneous water charge.

Additionally in Public Works, the city is proposing an increase to its residential and commercial solid waste rates effective July 1<sup>st</sup>, and it's my understanding Mr. Worth, our Public Works Director, is going to come up and present a change to the commercial recycling rate.

Mayor Lane: Welcome Mr. Worth.

[Time: 00:27:14]

Public Works Director Dan Worth: Good evening, Mayor and Council. As you can see on the slide up there, we had initial rates that would generate about \$1.9 million in additional revenue for the solid waste enterprise fund, about \$1.2 million of that is in the residential program. The rest is in the commercial program, about 650,000 and we are going to propose a modification to one line in the commercial program that had been projected to increase rates about \$47,000, it's a very small part of our commercial program that the commercial recycling carts.

We have a service that we provide to some businesses where instead of using a, a large dumpster, we provide them one of two different size containers, either the same mauve colored container that our residential customers roll out to the curb once a week. It's a 90-gallon container or the same size

we have in the alley for alley refuse, 300-gallon container. It's suited to small business and small footprint and doesn't take up a lot of space.

We had proposed about a 15% increase in most of the rest of the commercial program for refuse and recycling, for this small area of the program, we had proposed a much larger percentage increase for the smaller carts, current customers are paying \$7.95. We had proposed increasing that to \$20. Dollar figures are high, but on percentage basis, it's over 100% increase. For the larger carts we have been charging \$26. We were proposing to go to \$33.

We have gotten some pushback. You have seen some of it from some businesses, one in particular. You have also gotten a communication from the Environmental Quality Advisory Board. They are very concerned about the adverse impact that this might have on our efforts to encourage people. Businesses to recycle more.

So in light of that, what we are proposing is that we limit the increase for the commercial cart program to that same 15% that we're increasing the commercial refuse and the commercial recycling dumpster programs. So instead of raising the \$7.95 fee to \$20, we are proposing to raise it to \$9.15. Instead of raising the \$26 fee to \$33, we are proposing that we raise it to \$29.90. If you agree to implement this, there is a table at the bottom of page 4 of the resolution. The resolution includes the code language that would be required to be changed to implement the new rates. There is a table at the bottom of that page with the numbers based on the larger increase. If I could get the Elmo, if you agree to this reduced increase, the numbers would be those numbers, which we would insert in place of that table on page 4 of the resolution. And I would be happy to answer any questions.

[Time: 00:30:35]

Mayor Lane: If, in fact, number one, we are having a hearing but also an action to adopt in the, in whatever motion is made at that time. In order to concur with what you just suggested, how do we reference this?

Dan Worth: I believe that you would make a motion and vote on adopting Resolution 4339, with the table at the bottom of page 4 amended to reflect what I have shown on the screen.

Mayor Lane: Okay. So the amended page 4?

Dan Worth: Correct.

Mayor Lane: On the calculation of the new rates for the area?

Dan Worth: Correct.

Mayor Lane: Okay. All right. Very good. Any other questions? Hearing none, thank you very much.

Dan Worth: Thank you.

[Time: 00:31:28]

Judy Doyle: Okay. So then moving to the non-enterprise divisions, include rate and fee changes such as a customized expedited plan review fee, a new stormwater fee, including the \$2 increase paid by utility customers, which will be dedicated to city drainage and flood control capital projects, WestWorld fee changes, proposed changes to aquatics and Ramadas, special event fire staffing and off-duty police personnel. All of those non-enterprise proposed rate and fee changes are projected to increase the General Fund revenue by approximately \$3.7 million.

Community Services had also proposed a change to the Holiday Lights train ride fee, including a fast pass and changes to the railroad parks ramada fees, all of which would increase the Special Programs Fund revenue by approximately \$118,000. So with that, we are recommending adopting the associated resolutions and ordinances, including the modification to the commercial recycling rates, amended table on page 4, and again, each of the directors are available this evening to answer questions. So I do have three slides of those resolutions and ordinances.

Mayor Lane: I wonder if you could go back to the, your slide four, or at least as it's indicated on mine. And of the, you do say that the stormwater drainage fee, the increase in that fee, is it within the 3.4 million?

Judy Doyle: That is correct.

Mayor Lane: Can you tell me approximately what the.....

Judy Doyle: It's approximately \$2 million, \$2.1 million, and we do have it as a transfer out to the C.I.P.

Mayor Lane: Thank you. You anticipated the next. I appreciate that. It's 2 point....

Judy Doyle: It's 2 million, 2.1. I think it's 2,600,000.

Mayor Lane: Okay. So that's a substantial portion of what the increase has been.

Judy Doyle: Yes.

Mayor Lane: Thank you. Okay. So looking for just a little bit of guidance, number one, we are in the midst of the hearing of this. If I can ask maybe the City Attorney so the hearing is taking place. So that's recognized as having, there's no action on that item. The only action would be concurrence with the resolutions and the ordinances as listed?

[Time: 00:34:16]

City Attorney Bruce Washburn: Correct. The hearing is taking place now. There would be the call for Public Comment. If there's been any cards committed, then you close the hearing and then the Council can vote on taking the action on the rates and fees. While I'm on that topic, my recommendation would be rather than going through and reading each Resolution Number, because that introduces the possibility for error or numbers mistakes or numbers skipped if somebody makes a motion to approve the Resolution Numbers as set forth in the agenda and if there's anything they don't want to approve, they can say with the exception of or they would have to say with the amendment to Resolution Number 4439 pertaining to the table shown by Mr. Worth.

Mayor Lane: Okay. To the first point, though, I'm going to conclude the fact that the hearing has taken place. There's been a request for comments or testimony on this and we have, to this point in time, we still, oh. Oh, I see. Okay. All right. Very good. Okay. So with that, you have the opportunity to read that from the chair of the EQAB board. So in any case, the hearing has been completed, and we will close out the hearing. Okay? And with that, we do have, and maybe just specifically as was requested by the City Attorney, if I can have a motion for Items 1 through 13, acceptance with the one modification and that is to Ordinance 4339, as was indicated earlier.

Vice Mayor Korte: So moved.

Councilmember Littlefield: Second.

Mayor Lane: All right. Motion has been made and seconded and, of course, it's clear that it includes that change to page 4 of the calculation as was indicated earlier.

Bruce Washburn: Yes, to incorporate the table as shown to the Council on the Elmo.

Mayor Lane: Very good. Thank you very much. It's been made and seconded. All of those in favor, please indicate by aye and register your vote. Aye. And it's unanimous. So that does complete Item 32. And thank you very much, Ms. Doyle, and Mr. Worth.

**ITEM 33 – PUBLIC HEARING ON AND ADOPTION OF PROPOSED FISCAL YEAR 2018/19 BUDGET  
(TENTATIVE BUDGET)**

[Time: 00:36:55]

Mayor Lane: I know we'll see you again as we move on to Item 33, the Public Hearing on and the Adoption of Proposed Fiscal Year 2018/19 Budget and this is the tentative budget.

Budget Director Judy Doyle: Hello again.

Mayor Lane: Ms. Doyle. Yes, welcome back.

Judy Doyle: Thank you. Tonight is also the adoption of the city's fiscal year 2018/19 tentative budget which sets the city's maximum annual expenditure limit. On June 12<sup>th</sup>, the date slated for the

final budget adoption, you may reduce or reallocate total expenditures, however, per state statute, you may not increase the total amount of expenditures that are adopted this evening in the tentative budget. I will begin the presentation this evening with the operating budget and highlight any significant changes from what I had presented to you during the proposed budget discussions on April 17<sup>th</sup>. And then following the operating budget, Dave Lipinski, our City Engineer will present the tentative capital budget.

So jumping into the operational budget overview. First beginning with the changes in the proposed budget in the current fiscal year, 2017/18. Talking about the changes in the current fiscal year is important because it does impact fund balance, which then carries forward into the '18/19 budget. The summary of the General Fund sources, uses and changes. The first column represents what was included in the proposed budget for 17/18, that middle column is what's currently included in the tentative budget for '17/18 and then the difference, either a favorable or unfavorable change. The revenue changes were favorable by \$1.3 million. This favorable change is primarily the result of the APS utility improvement district.

[Time: 00:38:47]

If you recall during the proposed budget, I mentioned that due to the close proximity of the timing of when assessments were due in March, of the current fiscal year and the release of the proposed budget and due to the uncertainty of how folks would pay, prefer to pay, either in full or over the term, we are unsure how much to include in the proposed budget. Payments have since come in totally \$1 million in '17/18 which is the majority of this change.

The remainder of the sources favorable changes, cable TV license fees, our city treasurer has been sharing with you during his monthly financial update that we are seeing greater cable TV license fees, revenue than anticipated, despite higher cable TV rates, more customers are choosing to keep their cable service than we had originally expected. The uses had an unfavorable change in the category which is primarily related to the APS utility district, again with the equal offsetting revenue, there is no General Fund impact as it relates to that item.

So bottom line, the tentative budget, the tentative budget fund balance for '17/18, is 500,000 more favorable than what we had presented in the proposed budget. And then highlighting the significant changes since the proposed budget for '18/19, the \$1.6 million unfavorable change in revenues is, again, primarily the result of that APS utility improvement district. This was then slightly offset by the unfavorable, excuse me, that unfavorable variance was slightly offset with the cable TV license fees.

Again, because of the trends that we were seeing, we increased our assumptions that are forecast in the five years. The favorable \$5.7 million change in uses includes \$3.4 million in the expenditures. Over half of that change or 1.8 million is once again related to that utility improvement district. Additionally, we reduced the General Fund tentative budget by \$1 million by implementing the class and comp study. We reduced the police department's retirement budget for those who have since entered the DROP program. The Deferred Retirement Option Plan. It's a favorable change in that expenditure budget.

And finally, the favorable change to the transfers out is related to the C.I.P. transfers on the amount collected for the 1% food tax. The tentative budget maintains the transfer to the C.I.P. at its current level of about 66% of collections. So the tentative fund balance for '18/19, is \$4.1 million, more favorable than what was presented in the proposed budget.

Property tax, there's no change from what was included in the proposed budget. For '18/19, we have a prior year base of \$22.7 million, plus new construction. The 2% statutory adjustment for fiscal years '11/12 through '16/17, and '18/19, plus the tort liability settlements and judgments that you have approved during the most recent calendar year. For a total primary levy of 31.9 million. The secondary property tax, again, no change from the proposed budget. We plan to levy \$34.2 million.

[Time: 00:42:36]

So how does this impact the rate? The primary property tax rate is increasing per \$100 of assessed value, about 4 cents. And the secondary property tax rate is decreasing about 2 cents for an overall rate of \$1.10. Which is a 2-cent increase from the current \$1.08, which translates to about \$5.25 for an average home price of \$300,000. This slide is a high level summary of the proposed '18/19 budget, through '22/23, total sources and uses and ending balance.

One additional item worth noting that I haven't already covered, we increased revenues in years two through four by a total of 3.6 million for the planned jail dormitory. The fiscal year '18/19, C.I.P. includes a new project to design and construct three dormitories at the District Two jail to increase capacity to house nonviolent low-risk defendant sentenced in the Scottsdale court. This would reduce the city's expense to house them at the Maricopa County jail and bring back the previous out of jurisdiction confinement program that would provide additional revenue to the city. We had included in the proposed budget that operational expense, and the county savings associated with the project, but we had failed to include the associated revenue with this project.

Looking at the '18/19, column, those gray-shaded rows, you see our sources do exceed our uses by 2.2 million and then when you consider our uses, included 2 million in one-time uses our sources exceed our ongoing uses by 4.2 million. Basically translated to we have a balanced budget. The one-time items are broken out here on this slide. The only change to this list from the original list presented during the proposed budget is the removal of \$1.9 million for that utility improvement district.

And finally, I wanted to mention, we did modify the FTE position changes from the proposed budget. The proposed budget included the General Fund tax auditor position in the City Treasurer's office and a Public Affairs manager and Economic Development specialist, both which were funded With Tourism Development funds. All three of those positions have been removed and are not included in the tentative budget. So that concludes my portion of the presentation. I'm happy to answer questions now, at the end. I can turn it over to Dave, whatever your preference is.

Mayor Lane: I don't have any questions myself and I don't see any from the Council at this point. So thank you, Judy.

[Time: 00:46:09]

City Engineer Dave Lipinski: Good evening. I'm going to give you an update tonight and the differences between the proposed budget and the tentative budget, a lot of changes Ms. Doyle has already discussed. This was the budget as proposed on April 17<sup>th</sup>. We had a balance of \$22.2 million. Since that time, a few changes that have occurred, we have realized a \$600,000 increase in net interest earnings over \$1 million in this current fiscal year. There is the change of the food tax percentage coming over to the capital, and being held at the 66.7% transfer rate. And those are the changes on the cash inflow side.

On the project side, there was a reduction on one project on the facilities maintenance project over the five-year period that project was reduced about \$2.9 million. Still leaves a balance of about \$11 million in that fund for them to complete projects over the next five years. It does not modify the F.Y. '18/19 project list that they had already looked to try to accomplish next fiscal year, it's in years two through five that those changes were made. The list of projects that, as presented originally, there is no change to the actual projects themselves. The only change as I go from this slide to the next, you will see that the facilities repair request line dropped down to \$1.2 million. That was the additive on what was approved in last year's C.I.P. program.

On the transportation sales tax side, this was as proposed on April 17<sup>th</sup>. And this is the tentative budget, except I will make one change if I can flip over to the Elmo, please. We did find one correction that we did not find from before your packets were done. You will see a change in the expenditure linen the total funding available. I believe it changed from \$.8 million to \$.9 million. The transfers came in and we got to add them on the transfers line. They were for the 67<sup>th</sup> Street bridge, the 68<sup>th</sup> Street bridge design and investigation and also \$750,000 for the Drinkwater bridge repairs.

And jump back to the slide. Thank you. As far as projects for the transportation and the sales tax request, there are no changes to the projects themselves. It's the same list as was part of the prior proposed budget. And with that, staff is here for any questions.

Mayor Lane: Thank you. It looks like we have no questions. Thank you. Oh, I'm sorry. Did I miss it or did you come in late? Councilman Smith, you have a question?

[Time: 00:49:20]

Councilman Smith: Thank you, Mayor. I don't know whether this is for Ms. Doyle or Mr. Lipinski or the City Manager or who. It's an observation. We are only improving the first year of this proposed budget or is that correct? I mean, you are showing us five years, but all we are really improving is the first year?

City Manager Jim Thompson: That is correct. You do an annual appropriation and that is what you are approving.

Councilman Smith: I wanted to make it clear. One the things I observe in here is that while you have held off transferring the final third of the food tax, from the General Fund to the capital fund, you haven't just held it off for one year. You held it off for the entire period of five years. While I might concede to not moving that money for one time, it certainly would be a problem for not moving it for the five years. Wouldn't be in favor of that, nor would I be voting for that. I observed that when you have your budget, the five-year forecast summary, you are positive in this first year fiscal year '18/19, by \$4.2 million or \$2 million -- \$2.2, I guess it is. But the out years are not positive and they are even, I mean, they are only positive because you are leaving the food tax in there. Bottom line, obviously, I think you know, I hope one day to see this Council eliminate the food tax completely but in the meantime, I want to make it clear that I'm not in favor, even if it doesn't get eliminated, I'm not in favor of keeping it out of the capital program and keeping it in the General Fund program. So it is your challenge to fix that in the future years. I'm not sure that was a question. I think that was a comment.

The other thing that I guess I would like for somebody to opine on, the flip side of that, not moving the money, not moving that final third of the food tax, into the capital program, as Mr. Lipinski illustrated, has the effect of dramatically reducing or requiring a dramatic reduction in the facility's repair and maintenance program from 4-point, from 5 million, roughly, to 2 million roughly. And I guess what I'm wondering is what price do we pay for this. I don't think we can just cut a budget from \$5 million to \$2 million, and nonchalantly assume that we are having the same level of repair and maintenance over that five-year period. So if anybody can talk to me, was this inflated to begin with? Can we get it done with \$2 million? What should I believe in this?

[Time: 00:52:34]

Jim Thompson: Mayor and members of Council, specifically in this area, I think we can absorb it in this next year. Obviously similar to the statement of the 2.2 or the non-transfer of the 2.2, which is normally operation cash, which we have been using for capital expenditures and retaining back one-third of that, of the other two-thirds that went forward, we chose to take it out of the area rather than reduce the projects. Now, in future years we may reduce the projects.

As we are all aware, we have a need that comes near an \$800 million need in capital and I think we are going to have future discussions of how to look to take care of those. As we progress down those discussions, if we are successful, then we will find ways to actually move this list on to one that may be funded in different ways and then provide for those operational. And this is a one-year analysis where we thought it was the best area to make that reduction. We feel we can absorb that and in this year's operations, as well as the capital side and we feel that's in the best interest of challenging our budgets moving forward. Maybe we do one less project and maybe that we make another reduction in that area, but that's where we are at today.

Councilman Smith: I think for the listening public, while we have a balanced budget for the next year, '18/19, this is really not sustainable over the five years. We are balancing the General Fund budget by holding on to the food tax, which in turn requires us to dramatically reduce the facilities



maintenance and repair. We are just coming face to face with what you are describing a severe capital requirement in the city and in point of fact, a strained operating budget, both of which will have to be examined carefully. Should have been already, but we'll certainly have to be in the next 12 months. Thank you, Mayor.

Mayor Lane: Thank you, Councilman. All right. So we move to the point of the request on the public hearing, we have had the public hearing in this case as well. And Councilwoman Klapp. And so we can effectively, since we have no further comments or testimony from the audience on this, this hearing is closed and next order of business on this item would be the item to adopt Ordinance 4345.

Councilwoman Klapp: I make that motion to adopt Ordinance Number 4345 as modified, establishing the tentative budget for fiscal year 2018/19.

Mayor Lane: Motion has been made.

Councilmember Phillips: Second.

Mayor Lane: And seconded. Seeing no further comments on that and no testimony on, it I think we are then ready to vote. All those in favor, please indicate by aye and register your vote. Aye. It's unanimous. So thank you, Mr. Lipinski and Ms. Doyle for that. We are then completed on Item 33.

#### **ITEM 34 – MONTHLY FINANCIAL UPDATE**

Mayor Lane: And moving on to Item 34, which is our financial, our Monthly Financial Update and we have our city treasurer Mr. Jeff Nichols here.

[Time: 00:56:19]

City Treasurer Jeff Nichols: Thank you, Mr. Mayor and City Council, the monthly update of April 2018. I think what just happened is good on behalf of the city. And I think I have more good news. Operating sources year-to-date, favorable variance of \$12.2 million, get to local taxes here in a minute, but covering some of the ones below that. The state shared revenues approximately \$1.2 million favorable. I think we all heard what just went on with the state adopting their budget, and that the revenues on the state side were more than they had predicted coming forward into fiscal year '18/19, and we are enjoying some of that on the state-shared revenues.

In the charges, the biggest change there was the APS payments. We have revenues coming in of almost \$1 million for the people that were assessed. So we have to count for those changes.

The licenses and fees and permits, I had mentioned last month, it's unclear whether this will be sustainable, as this relates to the advanced life support services and the new ambulance contract and those charges are being contested. We are currently getting 100% of those revenues. So we will see where that lands us.

An uptick in interest earnings as the Fed continues to increase the Fed fund rate. We continue to enjoy increased investments and working with the investment advisor to maximize those revenues. So favorable variance in that area.

Getting to the sales taxes, another \$5.1 million bottom rate in corner favorable variance across the board, one thing I would like to point out is the rental, \$1.8 million favorable variance, we are seeing increased residential real property rentals, as well as personal property rentals, above and beyond where we thought the automotive I have talked about before, where some car dealerships are staying in the city longer than anticipated, and others are receiving revenue from the sales of those vehicles that were not anticipated. So good news.

The other revenues down from dining, entertainment, all the way down to utilities, just slight fluctuations from what we had predicted for in the budget, but overall, a very positive. We get to the General Fund uses by category and I think you will see the majority of the variances are favorable, the one at the bottom that transfers out, you are aware of, that you authorized transfers for a couple of flood control projects in the northern part of the city. Also authorized a transfer to a development agreement from the General Fund to fund the cultural trust fund and maintain that.

In the contractual services area, we are seeing across the board savings in various areas to include admin services, our City Attorney's office, \$200,000, city manager's office and my office as well. One thing that's being masked there, that \$1.9 million favorable variance would be even greater except for the booking of the nearly \$1 million in expenses related to the APS undergrounding project. We took in the revenue. We had to record that. We had to record the expenses out to the firm that financed the project. So net zero to the city, but that variance would be much greater if, in fact, that didn't happen.

[Time: 00:59:58]

Focusing on personnel services, again, glad to report salaries across the board in the organization to include the Public Safety, Police, Community Services, Fire, as a favorable variance in salaries. A lot of these positions are being filled at less than what was budgeted. You see the increase in retirement and I want to talk about this a little bit, because the City Manager has shared his concerns with you all.

You see at the bottom, we have 21 pay periods through this fiscal year, and we have actuals of \$30 million in expenses. Now fully about \$8.7 million of those dollars that increased in expenditures is related to the Hall Parker case. But what's not shown there is we had an increase of approximately \$3.4 million in expenses related to Public Safety Personnel Retirement System expenses this fiscal year related and, again, they are related to the Hall Parker case but it's not the settlement. It's the ongoing expenses that have increased. So the Police Public Safety increase increased from 36.3% to 47.5% of wages and even Fire, Public Safety Fire increased from 5.47% to about 68%. So those are ongoing increases and I think this is getting the attention of the City Manager and myself that we need to keep an eye on this.

It was just reported that the city of Phoenix had balanced their budget. Well, one way they decided

to balance their budget was to take out their actuarial evaluation, facing their liabilities and stretch it over a 30-year period. We, Jim Thompson, the City Manager and myself, agreed that we wouldn't take that. It was a one-time election with PSPRS, and we said no, we will keep it to 20 years. Our payments are increasing, but we think it's the responsible thing to do. Overtime, again, driven by the fire department. We need to provide 24/7 coverage, and keep those seats filled, the four seats on the truck. So that's driving that negative variance in personnel services.

Overall, you look at division expenditures, the only two unfavorable variances being driven, and Public Works being driven by the APS underground payment. We had to find a center somewhere to place that and they were the lucky division that was chosen. But overall, the good news is when we looked at the budget, we were looking at change in fund balance of \$13.4 million. That's been increased to 24.8 million, creating an \$11.4 million favorable variance, most all of it related to revenues. And much of that, I think, will last through the June reporting period and it will realize that favorable variance at the end of the fiscal year. With that, I will take any questions you may have.

Mayor Lane: Thank you, Mr. Nichols. Seeing to questions, having none myself, thank you very much for a very positive report.

Jeff Nichols: Thank you, Mr. Mayor.

Mayor Lane: So there's no action required on this item, as normal. So we will, we have completed Item 34, acceptance of that report. And we have no additional Public Comment, petitions or Mayor or Council items and I would ask them, number one, thank the staff and everyone for their reports and their presentations.

#### **ADJOURNMENT**

[Time: 01:03:54]

Mayor Lane: But I ask for an adjournment.

Councilwoman Klapp: Move to adjourn.

Vice Mayor Korte: Second.

Mayor Lane: Motion to adjourn and seconded. All of those in favor of adjournment, please indicate by aye. We are adjourned. Thank you.