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CALL TO ORDER

[Time: 00:00:07]

Mayor Lane: Good evening. We may be transacting or transformation into the evening. But in any case, I would like to call to order our July 3rd, 2018 City Council meeting. It's a Regular Meeting, and it's approximately 5:00.

ROLL CALL

[Time: 00:00:18]

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 Guy Phillips.

Vice Mayor Phillips: Here.

Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilmember Klapp: Here.

Carolyn Jagger: Virginia Korte.

Councilwoman Korte: Here.

Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

Carolyn Jagger: David Smith.

Councilman Smith: Present.

Carolyn Jagger: Acting City Manager, Brent Stockwell.

Brent Stockwell: Here.

Carolyn Jagger: City Attorney Bruce Washburn.

Bruce Washburn: Here.

Carolyn Jagger: Budget Director Judy Doyle.

Judy Doyle: Here.

Carolyn Jagger: City Auditor Sharron Walker.

Sharron Walker: Here.

Carolyn Jagger: And the Clerk is present.

[Time: 00:00:41]

Mayor Lane: If you would like to make a request to speak, the cards for speaking are the white cards held over the head of the city clerk here to my right and if you would give us any written comments, the yellow card is what you want to fill out and we will be reading them in the proceedings during the evening. We have Scottsdale Police officers Eric Boles and Jason Glenn to assist, and they are directly

here in front of me, on the mezzanine there. And the areas behind the Council dais are reserved for Council and staff and there are restrooms under the exit sign for your convenience.

PLEDGE OF ALLEGIANCE

[Time: 00:01:26]

Mayor Lane: So I'm going to ask Councilwoman Milhaven to lead us in the Pledge of Allegiance. If you can, please stand.

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

INVOCATION

[Time: 00:01:59]

Mayor Lane: All right and for this evening's invocation, I would ask that we take a couple of moments in silence to contemplate for the blessings that we had in our count Friday for the last 242 years and hopefully we will continue in the same order and with your thoughts and prayers. Thank you.

MAYOR'S REPORT

[Time: 00:02:38]

Mayor Lane: All right one item to report, is this week's Scottsdale District 6 will host the top teams representing each of the 14 Little League districts from across the state and the majors 12 and under division. Eight of the 14 districts are from our, I'm sorry, are from outside of the Phoenix metro area, from Yuma to Flagstaff and will travel to Scottsdale in hopes of qualifying for the western regional championship held in California. They will play four games in pool play and top two teams will advance to a double elimination round.

The state tournament is the first step in the path to Williamsport, Pennsylvania. Home of the Little League World Series, held annually in August. The Charros and the Scottsdale tourism department has provided funding to support District 6's efforts to host the tournament in Scottsdale. We would really like to extend a special thanks to the Scottsdale Charros for making the tournament happen and we have the Charros C.E.O. and executive director, Dennis Robbins here. So help me thank him and the Charros for another important opportunity for the Scottsdale and their children. Thank you, Dennis and thank you to the Charros, and I believe we have the District 6 represent Irwin Altman. Thank you for bringing it here to our great community and good luck with all of it. So thank you very much.

PRESENTATIONS/INFORMATION UPDATES

[Time: 00:04:21]

Mayor Lane: Okay. And then we have a presentation. These are informational updates and the Scottsdale Arts update is Gerd Wuestemann, the Scottsdale Arts president and C.E.O. Mr. Wuestemann thank you for being here.

[Time: 00:04:34]

Scottsdale Arts President and CEO Gerd Wuestemann: Thank you for taking time for me to present to you. I felt that given the investment that Scottsdale, that it would be important to give you updates on what actually is going on in the organization. So consider this my fourth quarter update. We just closed our fiscal year June 30th and I think I have a lot of very positive news to report. As a reminder of what Scottsdale Arts represents we have one core, four branches and two satellites. There's an administrative core charged with managing the wonderful arts campus in downtown Scottsdale. We manage the Scottsdale Center for the Performing Arts, SMOCA on behalf of the city. We install and manage 130 Public Art structures across the city of Scottsdale. And last but not least, our fourth branch is Scottsdale Arts and education, much more on them in just a minute. And, of course, our two hallmark satellite events, the Arts Festival every fall, and then, of course, every spring and then Canal Convergence in the fall.

In the performance sector, we are poised to present everything from world-class artists all the way to our local community theater. This past season, we just wrapped up, we sold over 44,000 tickets, through, to over 100 events. We created a broad range of diverse shows and offerings in every price range, many of them also free or subsidized for low-income families, and we presented such luminaries as the chamber orchestra to such wonderful institutions as our own detour theater which was one of the most heartwarming events I ever had the chance to witness. I was truly, truly, remarkably moved by their presence in our theater.

And on the more popular side, we present everything from the Chieftains and rock and roll shows and we are building out the contemporary dance presentations. But there's so much more. There's celebrations. There are festivals and campus activation. One of the iconic festivals, Canal Convergence shifted to November and more on that later this year. We had and actually made a mistake on the numbers. We had in this year's Arts Festival, 22,000 local arts buyers engaged in our campus. Sunday drew about 45,000 audiences every fall and spring for free events, family-friendly events around art, music and more on our wonderful lawns outside. And our Discovery Series last year we celebrated in Japan, and foreign cultures to our citizens. This year, the pick is Cuba.

You have might want to put on your dancing shoes for that particular series and culinary classic is something that we celebrate every year this was a record breaking crowd and you want to thank the Scottsdale Arts League for supporting us so generously with the proceeds from the event. SMOCA is small but very powerful. It's a national presence and accredited museum and we just celebrated one of our best ever openings. A summer show opened two weeks ago to almost 1,000 visitors that evening. If you were there and I know many of you joined us for that particular evening, if you were there, you may have noticed that 75% of our SMOCA visitors that evening, and henceforth are under

the age of 30. A very young, very dynamic and very diverse group of young citizens would I believe represent the ongoing workforce in Scottsdale that embraces places like SMOCA and it's an offering that really represents the sensitivities. Also I have noticed that one of the exhibits featuring Japanese artist Lydia Okumora was just featured in the international arts magazine wall paper which is significant for people in the arts world and received great, great, exposure through TV 15 and I think the weather lady at TV 15, featured us five times. It reaches a new group of people and citizens.

Education outreach is an area in which we worked for many years but we never celebrated it outright, as a branch of the organization. We are trying to change that. In education outreach, we work with over 40,000 kids across the corridor. We are engaged in summer camps with various partners across Scottsdale. If you haven't had a chance to see, please visit the time Exhibit at the library. It inspires younger and older kids like myself and our imaginations. There's weekly creative aging programs, and across the Civic Center. Our education curator Laura Hales was recently published in the national education journal, which is a wonderful achievement for her and further highlights the accomplishments that Scottsdale can be proud of. And believe it or not, we had a goal for this year to double our services and education to title one schools across Scottsdale, and we actually managed to not only achieve but exceed that goal of doubling our participation in those programs. 98% of teachers in the Scottsdale public school district actually asked distinctly for us to come back and continue our residency artist programs with them.

[Time: 00:09:36]

In Public Art, I also know that some of you had the, had a chance to celebrate with us the inauguration of this latest Public Art installation in the north SOHO development. This is driven by private development and I think this mural visible from the 101 is one of the great new additions to our landscape. We also installed two new projects at Fire stations 603 and 613 over the last couple of months. And yes, Sonoran Jack, lo and behold will finally see the light of day. In late July, we are installing a base and I think it's something we should all perhaps celebrate. It's finally done.

There's much more in Public Art, SPA and the city are working very closely with ADOT to preserve art threatened by construction on the 101. We are deeply committed to making sure that those pieces will remain in place. We also received new storage and workshop areas on the water front and have vacated the livery stables for better and more fitting usage in the future. Last but not least, you may have seen an article in the "Wall Street Journal," celebrating our art program here. There's an upcoming article in the "New York Times" that you will see in the next couple of weeks too. That's something to be very proud of. By the numbers we saw 76,000 visitors to SMOCA. Roughly 62,000 visitors to the center for the performing arts and we had about 20,000 visitors to canal convergence and 40,000 students served in 80 schools and 87,000 people visiting our campus and perhaps most importantly we employed over 1200 artists both local and national.

What does it mean in terms of revenue? The city entrusts with us a significant investment of \$4.6 million every year. We add to that about \$3.4 million on revenue and we just closed our books and I'm very proud to say that my development team managed to make up a \$700,000 hole in our budget over the last two months to get us to \$2 million in contributed revenue. There's \$1 million in

our income from endowment earnings and other investments we hold for a roughly of \$11 million operational budget. So that means we are leveraging city investments which is significant and we are very thankful for, by about 150% to give great service to the city of Scottsdale. 66% of our funding is directly, it's directly resulted in the programmatic efforts. So we are trying to keep our administrative overhead as low as possible.

I think on all of those numbers there's much room for growth. I believe we can do more in development. I believe we can actually trim our administrative side even more and do more with the funds entrusted in us. But even as it stands, and this is something I would like to underscore. Even as it stands, we are actually producing roughly \$16 million on return on investment at the tax base to the city of Scottsdale. In other words you are investing in us, even using the most conservative multipliers, results in roughly \$16 million that you can now use for better drainage, better roads, bridge reconstruction.

[Time: 00:12:45]

The secondary return to our local economy is even more significant. Roughly \$56 million gets generated when we have a show and activate spaces in a downtown Scottsdale. The tertiary return is significant. What we can do for tourism and economic development. We have some internal cultural shifts and we have staff changes of internal collaboration.

Our board, which is 100% united in moving Scottsdale forward into a new dawn, has also allowed us to self-govern and to change the way we can admit people to our advisory board for the various entities that make up Scottsdale Arts. As a result, you will see much broader community representation on those boards going forth, teachers, artists, community members will have a chance to participate in shaping the future of the organization. Our city partnership has deepened and I want to say thanks to our great partners Brent Stockwell and Karen Churchard. Thank you for being such great partners to us. We have been able to increase our grant making by 66% in this particular fiscal year. So we will be able to actually better support other arts organizations in our community.

Speaking of culture shift, the external culture shift had to happen because I believe Scottsdale art was not a great playmate to the other cultural institutions of Scottsdale that should be under our care and we should advocate for. I'm happy to report that this long list of future partners are partnerships that we forged over the last three months since my arrival here and I'm really thrilled to co-present items on AZ Music Fest for a creativity festival with SkySong and establishing a dance presence here in Scottsdale and to work with the city and the architectural department at A.S.U. to do some wonderful workshops for kids creating play spaces that we are going to tour around Scottsdale over the coming year.

The road ahead is simple. This is something we have talked about for many years. We have dreamed about and it's now stepping a little bit closer to reality. You may realize that our campus doesn't have a proper front door, as it stands. We envision this as a gateway feature on Second Street. We believe this is doable. I will work very hard in raising some private dollars to cop to the table, and making this, come to the table and making this a reality very quickly so we can finally

celebrate this arts campus a bit more loudly to our community. And then, of course, there's the future promise of our Civic Center plaza renovation. We know this is an important piece. I think we will be able to provide a business plan to you over the course of the next year that will show you how much increased revenue we can create with better use of this Civic Center campus. And with that said, this is what Scottsdale Arts stands for. We are about creativity. We are about community. We are about culture. Thank you. And I will take any questions you may have.

Mayor Lane: We have no questions in this particular presentation time. Thank you very much for the presentation, and congratulations on what looks to be very good progress and moving forward with our art program.

Gerd Wuestemann: Thank you, Mayor Lane. Thank you. I appreciate it. Thanks, everybody.

PUBLIC COMMENT

[Time: 00:16:13]

Mayor Lane: Okay. Next on our items of consideration, is public comment, and I see no public comment cards whatsoever. Okay. But just for the record, the public comment is reserved, is reserved for citizen comments regarding non-agendized items with no official Council action taken. Comments are limited to three minutes and they are limited to issues within the jurisdiction of the city. We have none at this point in time but we have an opportunity at the end of the session if, in fact, it is needed.

ADDED ITEMS

[Time: 00:16:45]

Mayor Lane: Our next item of business, we have some added items. Consent Items 18b and 18c were added to the agenda on June 27th, 2018. And Consent Item number 18d was added to the agenda on June 2nd, 2018. My request would be here unless there's some objection to accept the agenda as presented and, of course, if it's objected, the board will continue to the items to the next scheduled Council meeting which is August 28th, of 2018. Do I have a motion to either accept or to continue?

Councilwoman Littlefield: Move to accept.

Mayor Lane: Motion to accept by Councilwoman Littlefield and seconded by Councilwoman Klapp. So we are then ready to vote for those items. All those in favor register by aye. It's unanimous. We have accepted those Consent items to be added to the agenda as presented.

CONSENT AGENDA

[Time: 00:17:48]

Mayor Lane: And so the next order of business is the Consent items, Items 1 through 18d in its entirety. I see no cards and no requests on any of the items on the Consent items. So I would accept a motion to accept the items as presented on Consent.

Vice Mayor Phillips: So moved.

Councilwoman Klapp: Second.

Mayor Lane: The motion is made to accept by Vice Mayor Phillips and seconded by Councilwoman Klapp. Hearing no further comment on, it we are ready then to vote. All those in favor, please indicate by aye, and register your vote. Aye. It's unanimous, then in acceptance of the Consent Items 1 through 18d. If you happen to be here for those items, certainly, you can stay with us, otherwise, exit quietly.

REGULAR AGENDA

ITEM 20 – MONTHLY FINANCIAL UPDATE

[Time: 00:18:37]

Mayor Lane: Moving right on to our next item, are the Regular Agenda items. They happen to have been 19 through 21. But Item 19, the Loss Trust Fund Presentation has been removed at the request of staff. So it is no longer on the agenda. So it will be Items 20 and 21 and we will start right away with Jeff Nichols' fill-in Judy Doyle for our monthly financial update. I'm certain that it will go smoother than ever. Nice to have you here, Judy. Thank you very much.

[Time: 00:19:11]

Budget Director Judy Doyle: Thank you, Mayor and Council. Yes, I'm here on behalf of Jeff Nichols who is enjoying some family time back in his home state of Michigan. So hopefully, I will do him proud this evening. The monthly financial update, as of May 31st, as we get to this point in the year, you will not see a lot of changes from previous months. So what I have to say this evening will probably be somewhat familiar. The results for the General Fund through May beginning with the sources, the taxes, the local, the \$4.8 million favorable variance, I will speak to the majority of that on the next slide, when we highlight....

Mayor Lane: Excuse me one second. I would appreciate it if you could take the conversations outside, as hot as it may be so we can continue. Thank you, though. Yes, I'm sorry, Judy go ahead.

Judy Doyle: Thank you. Also contributing to the favorable variance is higher than anticipated cable TV franchise fees revenue which remain strong due to rate increases despite the migration of customers to streaming services. State shared revenues we're seeing \$1 million favorable variance in the income tax and the sales tax, over what the League had given to us as an anticipated budget.

Charges for services, the favorable variance of \$2.6 million is primarily related to the APS Raintree utility district which I shared with you during the '18/19 budget discussions.

Also cellular, excuse me, cellular tower lease payments are being received sooner than expected and coming in higher than anticipated. We are also receiving reimbursements from assisting with Fires around the state, and reimbursements from the county for the purchase of library materials. Licenses and fees, this is primarily due to Fires PMT contract extension, which resulted in 100% recovery of revenue from advanced life support calls. I don't know how much of this will continue through year-end as those charges are currently being disputed. And interest earnings. Running \$700,000 favorable based on higher returns on investment than expected due to strong market conditions, as well as higher than expected returns associated with shifting a larger portion of the city's investment funds to the city's asset management consultant.

[Time: 00:21:55]

So this is the breakdown of the 1% sales tax by business category. The favorable variance of \$3.6 million is mostly due to the continued unpredictability of the timing and the collections that we receive from the Arizona department of revenue. Just highlighting a couple of the significant variances, the rental, \$1.6 million favorable variance, commercial, and apartment rental rates have increased and vacancies have decreased. There's also been additional compliance for residential rental property managers due to ADOR taking over administration. And then automotive, \$2 million, that favorable variance is primarily due to several car dealers remaining in the city longer than originally anticipated due to their move to the Scottsdale auto show at the Salt River.

Looking at uses by category, through May, the personal services, contractual services, commodities and capital outlay, those variances total about \$3.3 million and I'm going to dive into that a little bit later when we talk about the divisions, specifically. Transfers out that unfavorable variance of \$3.7 million is due to the transfers from the undesignated, unreserved fund balance to our C.I.P. for the two flood control projects. And to the downtown cultural trust for Public Art contributions that were associated with a large development agreement. So looking at personal services, specifically that \$900,000 favorable variance, the majority of that \$1.8 million in salaries, and we actually have a large unfavorable variance in overtime, both of those significant variances are primarily driven by Public Safety, which I will talk to you a little bit more when I get into the division by expenditures slide, this one right here.

That \$3.3 million, as I mentioned, \$900,000 of that favorable variance is in Mayor and Council and charter officers. The City Attorney is seeing a favorable variance due to full-time and part-time salary savings and lower than expected litigation expenses and the City Treasurer's office, we are seeing favorable variance due to banking services and armored car services. Community services is currently seeing a \$1.2 million favorable variance related to part-time salary savings due to some work schedule adjustments. We're seeing lower participation in adult sports and leisure ed programs, so maintenance projects have fallen behind schedule and timing of invoices.

Public Safety Fire, we are seeing an unfavorable variance primarily due to overtime. We're seeing

staffing shortages where there were 14 Firefighters on leave for various reasons in the month of May. Also contributing to that unfavorable variance was the Parker case settlement interest payment. Fire did realize some savings in tools and equipment and some other categories, which help offset some of these overages. Public Safety Police seeing a \$1.9 million favorable variance due to part-time wage salary savings, and some rank promotions and new hires coming in at a lower rate of pay, the Fire enforcement contract is coming in lower than anticipated because some cameras were shut off during the renegotiation. Jail services are also coming in lower than anticipated.

Public Works, again, seeing an unfavorable variance, again related to that APS Raintree utility district which had that offsetting revenue. So it was a zero net impact to our fund. Overall, we are seeing a favorable trend. I will just mention through year end, we are anticipating on the sources side an additional \$3 million which we have been tracking as we have been moving along, primarily related to the sales tax and then on the uses side, we are anticipating going over about \$2 million, again primarily related to that transfer out for the two C.I.P. flood control projects. So at the end of the year, we are anticipating an additional \$1 million in our General Fund. And that concludes my presentation if you had any questions, I would be happy to answer them.

Mayor Lane: Thank you, Judy. Yes, I will start with Councilman Smith.

[Time: 00:27:10]

Councilman Smith: Just one question, Ms. Doyle. You mentioned on the income from rental sales tax that it reflected a higher occupancy, higher rates, and the third thing you said was because of increased efforts by the Arizona department of revenue. Could you elaborate on that? What have they done for us?

Judy Doyle: Yes, it's my understanding that the department of revenue taking over the administration of the collections has been enforcing the proper managers to pay the rental property where in the past I don't think all were.

Councilman Smith: Interesting. Thank you, Mayor.

Mayor Lane: Thank you, Councilman, thank you, Judy. I believe there's no action item. It's just an update. Thank you very much.

Judy Doyle: Thank you.

ITEM 21 – FINE ART TAX ELIMINATION

[Time: 00:28:05]

Mayor Lane: Next is Item 21, it's a fine art tax elimination and we, I believe we have Teresa Hoglund moving to the podium, our business services manager. Welcome Teresa.

[Time: 00:28:20]

Business Services Manager Teresa Hoglund: Thank you. Mayor Lane, Vice Mayor Phillips and Councilmembers, I'm Teresa Hoglund, the business services manager for the city. I'm here to give you an update on the process of making the changes to the model city tax code that you requested. Last year, we were given direction to propose a change to the model city tax cut. This change was to include the exemption language for works of fine art. Per instruction from the Arizona League of Cities and Towns, a letter was sent to them requesting that the language be added to the model code. The League then took that proposal to the other 90 Cities and Towns within the state of Arizona as a proposed change, since there was not consensus among all of the Cities and Towns that they would want to adopt this change, the, we were advised that the League was going to propose this as an option to the model city tax code.

This will make it possible for Scottsdale to adopt the option into our version of the code. It will also make it available to the other Cities and Towns if they decide that they want to have, take this same option. So per this state statute, there's only one way to change the model city tax code, and that's by proposing the change to the Municipal Tax Code Commission for their approval. We were advised by the Arizona League of Cities and Towns that currently there were four vacancies on the Municipal Tax Code Commission. Of the nine members that are needed for that commission, three of them needed to be reappointed by the governor, two additional appointees needed to be made, and in addition, the senate president needed to appoint a member, one of them was in place that the senate president had appointed and also the speaker of the house needed to make another appointment one member being in place.

The League has committed requests to all the parties involved to make sure the commissioners were, in fact, appointed, and once the appointments are all in place, the proposed changes will be submitted. There usually is a 60-day period once the commissioners under place, once the first meeting occurs. Scottsdale's proposal along with several other updates to the code, will be presented at the first meeting. Approved changes then can be put into place 30 takes after they are approved.

Also, I have an update to my update. So I was advised that the governor has, in fact, appointed, reappointed the three commissioners that needed to be appointed. So now there are five sitting commissioners. That is enough for a meeting of the Municipal Tax Code Commission to be called, and the League is now anticipating that in the third week of September, our proposal for change will go before the Municipal Tax Code Commission along with other changes that are being proposed for the model city tax code. So that is where we are at this point.

Mayor Lane: Very good. Thank you, Ms. Hoglund. We do have a couple of questions or comments, and we start with Councilman Smith.

[Time: 00:32:11]

Councilman Smith: That anticipated meeting the five members would be when?

Teresa Hoglund: The third week of September is when the League is planning to have the meeting currently.

Councilman Smith: Do I understand it's the League's opinion that this is a League recommendation? I mean this won't just be passively submitted? It will be a recommendation to the commission?

Teresa Hoglund: Absolutely. And we have the opportunity to go and speak as well.

Councilman Smith: We the city?

Teresa Hoglund: We the city, yes.

Councilman Smith: Well, this is, this is good. It's certainly taken a long time, but it's good. I would like for us to be apprized when we come back from summer break, if you have any other late breaking news or reports.

Teresa Hoglund: Absolutely.

Councilman Smith: Or anything that we can do, involve us in this so we can bring it to closure.

Teresa Hoglund: I will do that.

Councilman Smith: Thank you, Mayor.

Mayor Lane: Thank you, Councilman and thank you, Ms. Hoglund. That's an update and no action item here and no further comments from the Council so that completes our work for this meeting. There's no additional public comment. There's no citizen petitions and no major Council items.

ADJOURNMENT

[Time: 00:33:32]

Mayor Lane: And with that, I would ask for a moment to adjourn.

Councilwoman Klapp: Move to adjourn.

Councilmember Korte: Second.

Mayor Lane: The motion has been made and seconded. All of those in favor of adjournment, please indicate by aye. We are adjourned. Have a great summer. We will be gone until the end of August. We look forward to seeing you then.