
This document was created from the closed caption transcript of the October 21, 2014 Regular City Council Meeting and **has not been checked for completeness or accuracy of content.**

A copy of the agenda for this meeting, including a summary of the action taken on each agenda item, is available online at:

<http://www.scottsdaleaz.gov/Assets/Public+Website/Council/Council+Documents/2014+Agendas/102114RegularAgenda.pdf>

An unedited digital video recording of the meeting, which can be used in conjunction with the transcript, is available online at: <http://www.Scottsdaleaz.gov/citycable11/channels/Council14>. For ease of reference, included throughout the transcript are bracketed "time stamps" [Time: 00:00:00] that correspond to digital video recording time.

For more information about this transcript, please contact the City Clerk's Office at 480-312-2411.

CALL TO ORDER

[Time: 00:00:02]

Mayor Lane: Good afternoon, everyone. Welcome to our regular meeting of October 21st, 2014. I would like to call to order this Council meeting.

ROLL CALL

[Time: 00:00:14]

Mayor Lane: We will start with a roll call, please.

City Clerk Carolyn Jagger: Thank you, Your Honor. Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Guy Phillips.

Vice Mayor Phillips: Here.

Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

Carolyn Jagger: Virginia Korte.

Councilmember Korte: Here.

Carolyn Jagger: Bob Littlefield.

Councilman Littlefield: Here.

Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

Carolyn Jagger: Dennis Robbins.

Councilman Robbins: Here.

Carolyn Jagger: City Manager Fritz Behring.

Fritz Behring: 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: 00:00:37]

Mayor Lane: Thank you. Just a little order of business. We do have cards if you would like to speak on any item. Or for Public Comment we have the white card that's above the city clerk's head over here to my right. And if you would like to give us some written comments on any of the agenda items, there is a yellow card which she holding up over her head and we can read through the course of the proceedings.

This evening we have Scottsdale Police officer, Jason Glenn and Dave Pubins almost directly in front of me if you have a need for their services. We have the last official meeting that officer Pubins will be servicing us tonight. Officer, please. We certainly, he will be retiring after 22 years with the City of

Scottsdale. We want to thank you for your service. We understand he and Greg are going to be writing a book for orientation for any new officers that will be serving us in the future, but thank you very much for your service.

Okay. The area behind the Council dais are reserved for the Council and the staff only but we do have facilities over here to my left under that exit sign there for your convenience.

PLEDGE OF ALLEGIANCE

[Time: 00:01:56]

Mayor Lane: And today we have the honor of having Brownie Troop 1146 and Junior Girl Scout Troop 1588 with their leader Julie Ransom to lead us in the pledge. Ladies, take your positions and begin whenever you are ready.

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, with authority there. You can turn that microphone around as you have been instructed. Please introduce yourself and tell us where you go to school and what your favorite subject is, if you would be so kind.

My name is Lacy. I'm in second grade, and my favorite subject in school is writing. My name is Addison, I'm in second grade, and my favorite subject in school is reading. My name is Jenny and my favorite subject in school is China. My name is Claire and my favorite subject in school is reading. My name is Sophia and my favorite subject in school is reading. I'm McKenzie I go to Pinnacle Peak Elementary School and my favorite subject is science. My name is Ava and I'm in second grade and my favorite thing to do is reading. My name is Brooke and I go to Pinnacle Peak Elementary School and my favorite subject in school is reading. My name is Elizabeth. My favorite subject is reading, and I'm in third grade. My name is Charlotte Anderson, and I'm in fifth grade and my favorite subject is reading. I'm Avery Ransom, I'm in fifth grade and my favorite subject is science.

Mayor Lane: Thank you very much, ladies.

INVOCATION

[Time: 00:04:14]

Mayor Lane: For the invocation, we welcome Pastor Jason Anderson who has recently expanded the Living Word Bible Church to Scottsdale. Welcome, Pastor Anderson.

Pastor Jason Anderson: Thank you, Mayor and Councilmembers and thank you, everyone. Let's just open up in a word of prayer. Father God, we lift up this time to you, and ask that you would bless this, and ask that you would bless the City of Scottsdale, and that, Lord, your windows of heaven

would be open up above her, pouring out her treasures and all of the needs will be bless the people and keep the systems moving properly. I ask, Lord, for wisdom tonight that the spirit of wisdom will be moving in our midst and that Lord, we might make good decisions. I ask, Lord for your blessings over these faithful public servants and serve over your city faithfully and also that their needs would be met according to your riches in glory, in Jesus' name, amen.

Mayor Lane: Amen. Thank you, Pastor.

MAYOR'S REPORT

[Time: 00:05:19]

Mayor Lane: Well, actually, beginning this evening, we have some interesting developments in the world of baseball. As you may be aware, since you are here with us, we hope to be able to see the game later on, but we do want to wish the best of luck to the San Francisco Giants, as they compete in the World Series, starting this evening. Scottsdale has proudly served as the spring training home as you may know for the giants since 1984. We certainly look forward to them bringing and returning in the spring as world champions. They have done this every other year for the past four years. So we are looking to continue the series. You know how baseball players and fans are into statistics, as every two years, 2012, 2014, no, do I have that right? And then, yeah. Yeah, then 2016. So we are looking forward to that every two years.

So that's, and I might also mention the Royals, the other side of that equation are over in Surprise, and they have issued a nice little challenge to us that depending upon who wins, the opposing side will have to wear the colors and jerseys of the other team for at least a day, and maybe to a game. So we'll see how that comes out. No more harm in that.

PRESENTATIONS/INFORMATION UPDATES

[Time: 00:06:44]

Mayor Lane: We do have a presentation this evening, and we would like to welcome Scott McNevin, Executive Director of the Junior Golf Association of Arizona to provide an update on the junior golf tournament held this year in Scottsdale at the McCormick Ranch Golf Course. Joining him is Paul Katsenes.

[Time: 00:07:05]

Tourism and Events Director Paul Katsenes: Just a moment of introduction. We know how important golf is to us here in our community. People come here for vacations, and just to play our golf courses. They come for business. They stay an extra day to play our golf courses or they come and see our community and the tournament that we present and hold in our community. So tonight, there is a little different point of view on Scott's efforts as Executive Director of the Junior Golf Association of Arizona to grow the game internally, both here in our community and in the stay of

Arizona and we are going to have just a few brief moments of the insights into the Junior Golf Association of Arizona and Scott McNevin, I'm happy to present to you.

[Time: 00:07:49]

Scott McNevin: Thanks, Paul. First a little background in our organization. The Junior Golf Association of Arizona is a 501(c)(3) nonprofit, stand-alone nonprofit based in next. We are a statewide organization, run probably over 50 competition tournaments year round for juniors, ages 5 to 18. Recently, like Paul said, we had our Scottsdale city junior championship which you are seeing some highlights from the August 23rd, 24th event for the older juniors ages 13 to 18, we held it at McCormick Ranch Golf Club. And for the younger kids, we had it 8 to 12 at Starfire.

This is a list of some of the winners and then I will delve into our organization. For the boy's championship, we had Trevor Lampson and boys 15 and 18, we had Keegan Brasch, and boys 13 and 14, we had Alejandro De Zavala, boys 11-12 we had Daniel Thompson and boys 10 and under we have Anawin Pikulthong. And in the girl's divisions, we had Haylin Harris, in the championship division, the girls 15 and 18, Ciara Patronzio and the girls 13-14, Isabella Cantwell and girls 11 and 12, Toni St. John and the girls 10 and under division, we have Abbey Schutte.

We are a statewide organization that looks to really grow the game, with over 50 events year round. We have two really developmental programs, the LPJ U.S.A. Girls Golf Program, which is very involved with the Founders Cup which is coming again in March and in the Boys Golf Club which is ages 5 to 14. Really two developmental programs where we had divisions for three, three, six, and nine-hole division tournaments. As part of our JJ Competition Program, where we get offered many of our events or two-day tournaments offered year round.

Another event I wanted to speak of, we have an event, it's in its 26th year, I think, it's called the Itty-Bitty Open which is held January, usually about two weeks before the Waste Management Open, at parks all across the country. We will be at Scottsdale Ranch Park, where we have been the last several years. We usually hold it at over 14 parks across the valley, where we have over 600 total kids and the Itty-Bitty Open is for 3 to 5-year-olds. We work with all the park and recreation departments from Scottsdale, Phoenix, all across the valley and helping to promote the event. It's really helped a lot of funding from that event comes from the Thunderbirds and the Waste Management Phoenix Open. That's one of our big developmental programs with over 600 kids every year. So like I was saying the Junior Golf Association of Arizona, statewide organization, mostly a competition-based program. We work well with the First Tee of Phoenix, although we are a separate organization. A lot of their juniors will play in some of our tournaments and we also work with them on holding clinics year round for boys and girls. So.....

[Time: 00:11:17]

Paul Katsenes: And so in conclusion, we want to thank McCormick Ranch Golf Course too, for hosting the tournament. It's not always easy for a golf tournament to be held at golf courses because they have to give over the entire course and so they have been very gracious. It's a great place, the

Convention, the Scottsdale Convention Center is right across the industry and they host overnight rooms. So it's actually a very integral part of our tourism program and so we thank you for the possibility of this presentation this evening. Thank you, Mayor and Council. I would like to also mention that the Scottsdale Charros and the Sun Devil Trophy helped to make this a successful event.

Mayor Lane: Thank you. Thank you both.

PUBLIC COMMENT

[Time: 00:12:08]

Mayor Lane: Next order of business is we do have time for Public Comment. It's reserved for citizen comments with non-agendized items. Speakers are limited to three minutes. Maximum of five speakers at one time and there's an opportunity at the end of the meeting for citizen comments as well, if needed. And we have one card this evening from David N Smith. Mr. Smith?

[Time: 00:12:42]

David Smith: Thank you, Mr. Mayor, members of Council. I won't take much of your time, but recently, I noticed, as some other Scottsdale residents did, the creation of a new publication which is available, it was announced October 16th and it's a weekly newsletter featuring events and news and programs and whatever in the City of Scottsdale. And so I signed up for the newsletter and got it with some anticipation. I was looking to see what kind of things we're advertising here in the city, to promote our iconic city, our livability, our attraction to tourists, that sort of thing. I know we have plenty of ability to do that. The bed tax, as you know, generates \$7 million of money that you as the Council can spend and should spend on promotion of tourism, capital infrastructure, and tourism events.

But when I looked at the newsletter, I was surprised. It had two or three block parties and those are interesting to note for the citizens and, indeed, those are events that occurring and the Arts and Crafts Festival that's been going on for 31 years and certainly something that citizens take an interest in. And then it talked about you can go to the Bottled Blonde, the bar up in the entertainment district and you can see Ohio State games on big screen TV and drink all you want any time they are playing and then it mentioned the rock bar Eagles Nest, any time the Philadelphia Eagles are playing, you can go there and drink until your heart's content.

I guess I just don't understand why we would spend city resources to publish a newsletter to promote watching football games on big screen TVs in a bar. To me, this is not the iconic image of Scottsdale that we're trying to portray to tourists, not even the iconic image that we are trying to portray to the people that have moved here and want to enjoy the city. And so I guess I would challenge you, and in turn challenge you to challenge staff, really, because they produced this document, I presume, but challenge them to think outside the box. Come up with some ways to actually create tourism, interesting, iconic tourism events that will bring tourists and make it a more interesting city for all of us to live in. You have, as I said, \$7 million a year and you heard just a few weeks ago the only thing we

can think to do with the huge carryover balance in the Tourism Fund was throw \$1 million of it into the General Fund to bail out the issues there. You have to have something more iconic. You have to have something bigger to think about than this, and that's what I encourage you and the staff to do. Thanks.

Mayor Lane: Thank you, Mr. Smith. That concludes the Public Comment at this point in time.

MINUTES

[Time: 00:15:45]

Mayor Lane: We do have a request to approve the Regular Meeting Minutes of September 23rd, 2014. Those are the only minutes we have that are outstanding for approval. Those minutes were supplied to the Council ahead of time. Unless there's any comments or adds, deletes or modifications that might be requested, I would ask for a motion to approve those Minutes.

Councilmember Korte: Mayor, I move to approve the Regular Meeting Minutes of September 23rd, 2014.

Councilwoman Klapp: Second.

Mayor Lane: A motion has been made and seconded to approve those minutes as indicated. We are then ready to vote there's no further comment. All of those in favor, please indicate by aye and register your vote. Aye. Thank you very much. The Minutes have been approved unanimously.

CONSENT AGENDA

[Time: 00:16:34]

Mayor Lane: Moving on to the Consent items, 1 through 21. We do have a Consent Item 8 being removed at the request of the applicant, until a date to be determined. So absent Item 8, we have no requests from the public to speak towards any the Consent items. I would accept a motion then to accept the Consent items 1 through 21 absent Item number 8.

Vice Mayor Phillips: So moved.

Councilmember Korte: Second.

Mayor Lane: Moved and seconded. Seeing that there's no further comment, we are then ready to vote. All of those in favor, please indicate by an aye, opposed nay. Aye. Items 1 through 21, absent Item 8 have been approved unanimously.

REGULAR AGENDA

[Time: 00:17:25]]

Mayor Lane: We will move on to the Regular Agenda items which are 22 through 26.

ITEM 22 – SCOTTSDALE AIRPORT RESTAURANT LEASE AGREEMENT

[Time: 00:17:30]

Mayor Lane: We will start with Item 22, the Scottsdale Airport Restaurant Lease Agreement. We have Mr. Mascaro at the podium to speak towards that. Gary, please.

[Time: 00:17:45]

Aviation Director Gary Mascaro: Thank you, Mayor, members of the Council, my name is Gary Mascaro, I'm the Aviation Director here at the Scottsdale Airport. I will provide you a very, very brief overview of why this item is on the agenda for your review and discussion tonight. It's basically essentially a lease amendment request that came from our leasee, the restaurant, Ciao Baby Catering, a/k/a, Zulu Caffè. They have been having some challenges, but what I want to do first is talk about the history of the airport terminal restaurant and I know many of you have visited there.

We have had several restaurants for.... since the early '80s, and currently, we have Ciao Baby in there since 2011. As you can see, having a restaurant inside the Scottsdale airport terminal building has been somewhat of a challenge. We have RFPd it several times. This last time, we did it twice. The second time we were pleased to have Zulu Caffè come on board to operate our restaurant and as part of the original lease agreement, we asked them if it would be listed as Option C, to do a significant amount of hours of operation. And that was based on historical perspective of what we anticipated what the needs were going to be for the community at the airport. So as you can see below, it was quite a bit of hours of operations that they were absolutely required to do.

So they came to us over the past couple of years and they said, is there a way that we can adjust our hours downward to meet the minimum needs and then, of course, as operations grow, and as business grows, we certainly want to be open for business to allow us to expand those hours. The current lease does not allow the authority of the staff to make those adjustments. So that's why we brought it back here.

[Time: 00:19:45]

So the option that was requested by the leasee was 8 to 2 to Monday through Friday, with a caveat stating that if there was a public demand, that is requiring the restaurant to remain open longer, as in we are getting calls from customers asking why are you only open until 2:00, we want you to be open until 4:00 or 5:00, the city then has the ability to require the leasee, Zulu Caffè, to open longer, without having to come back to the Council to do a lease amendment.

Option A was based on discussions at the airport advisory commission meeting last month. It was a

vibrant discussion with the staff and more importantly with our restaurant operators about maybe opening for a weekend day. So they made a motion and recommended to do the 8 to 2 Monday through Friday but add a Saturday twist to it as well. As a result, that's why we are here as a Regular Agenda item for your recommendation. We have the two operators here, Betsy and Dee Dee, and they would be happy to answer any questions that you may have, and they were expecting to come up, if you want to come up here now and ask any questions or if you have any questions of staff, we will be happy to answer it.

Mayor Lane: Thank you, Mr. Mascaro. Ladies, is there something you would like to add to the commentary or.....

[Time: 00:21:16]

Ciao Baby Operator Dee Dee Maza: We would definitely like to be open for a lot more hours and we ended up closing when there was lot of remodeling, hoping to reopen for all the hours when they were in full force and they ended up closing. Now there's a school in there and they are just starting. So once they get up and going and the demand is, there we would love to be open for brunch on Saturday and Sunday and then open for dinner, but as the need comes. The terminal, you know, is slow right now and we need a sign on Scottsdale Road, if you could help us with that.

Mayor Lane: I understand. At this point in time, what's on the agenda is a consideration for a lease amendment on the timing. So we'll address one thing at a time. It looks like we may have at least a question or a comment, starting with Vice Mayor Phillips.

Vice Mayor Phillips: Maybe I can get a clarification from staff because we adopted Resolution 9840 or is it picking one of these three options?

Gary Mascaro: Mayor, Vice Mayor Phillips, it's adopt Resolution 9840 and then there's two amendments that were included in your packet, one that had the Option A and then there was another Option B. The resolution itself just references the amendment as written.

Vice Mayor Phillips: Okay. And then I would like to ask you, since it's your place, and you understand your business, what would you rather have, A or B?

Dee Dee Maza: A.

Vice Mayor Phillips: A. Okay. Thank you.

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

[Time: 00:22:48]

Councilwoman Klapp: Since there seems to be some desire by the Commission to add Saturday, what historically have you seen on Saturday, as far as the number of customers that you receive there?

Dee Dee Maza: The only way we were able to fill the restaurant was with Living Social and because Living Social is so demographically based, it only works if the demographics work within your area. People that are buying Living Social to go to a destination restaurant don't actually live in an area. So for them to come back again is really hard. So we are just finding that they come but they don't repeat.

Councilwoman Klapp: But my question really is, are you getting much business on a Saturday? And what kind of hardship would this impose on you if we are telling you to be open on Saturday and you have no customers?

Dee Dee Maza: There are no customers on Saturday, unless it's Living Social.

Councilwoman Klapp: Okay. Thank you.

Mayor Lane: Thank you Councilwoman. Councilman Littlefield.

Councilman Littlefield: So the applicant, you would prefer Option A and the Airport Advisory Commission says b, what does the esteemed Airport Director think? What would you recommend?

Gary Mascaro: Mr. Chair, Councilman Littlefield, I support either Option A or B, it's, I think Option C is a very difficult opportunity to continue the lease the way it is, for the restaurant. So either one in my opinion.

[Time: 00:24:12]

Councilman Littlefield: All right. Then I move we adopt Option A.

Councilwoman Klapp: Second.

Mayor Lane: Motion made and seconded. I will at least continue if Councilwoman Milhaven would like to speak to it.

Councilwoman Milhaven: We got an email from a member of the Airport Commission. Can we hear from them why they were advocating B? Would someone from the commission like to speak to B? Would you like to? Thank you.

Mayor Lane: Yeah, certainly. Well, I presume you will have a question of him then? Okay. Councilman Robbins, though, in the meantime, go ahead and come to the podium, sir.

Councilman Robbins: Yeah, Gary so under A, that's a minimum requirement. So is there flexibility to allow them to open on Saturday or Sunday if they so choose.

Gary Mascaro: Mayor, Councilman Robbins, yes there's a clause in the amendment that says if we,

the City, feel that there's a demand to expand their hours, we can actually require them to open a Saturday or a Sunday as well. We are hoping and we believe the restaurant will open on Saturdays and Sundays and evenings as the business builds, as they implement their marketing program.

Councilman Robbins: So you are saying that's a requirement. Who makes that decision and when is that decision made?

Gary Mascaro: It would be a requirement if we, the city see that there's a demand as in the customers are calling us, saying why aren't you open? We need to get this open. We have the ability via administratively to write to the restaurantees saying we need you to expand your hours to such and such a time frame.

Councilman Robbins: Thank you.

Mayor Lane: Thank you, Councilman.

Councilwoman Milhaven: Thank you Mr. Schuckert. If you could explain to the... If these ladies could make money being open, it would be their preference to be open and yet from your email, what you shared with us is that you see demand that will be unmet and I was hoping that you could explain the Commission's point of view to help us with that. Thank you.

[Time: 00:26:33]

Airport Advisory Commission Member Will Shuckert: I serve on the Airport Advisory Commission. To summarize this, the Commission spent a lot of time on this. It was a topic of two meetings. Most of the commissioners had the opportunity to meet with the operators the airport and discuss their operation. We looked at their proposal, and it did not pass through our process. So we went back and we said, what is it going to take for the commissioners to get more comfortable with this. This is Option B. We felt this was a pretty generous compromise given the original terms of the lease. And we ratcheted back their hours by a lot. We think that this is an amendment for the airport. It's something that the airport users need. I mean, a good vibrant airport needs a good restaurant so that people who are coming and going can stop and have breakfast, a cup of coffee, before flights, after flights and it is in the middle of the air park and it serves the air park as well. So we just felt that that one more day was needed for us to agree to it. We would like to see them open more. We would like to see earlier. We think 8:00 is a little bit late for breakfast for some people but nevertheless, we compromised at that, and we left Sunday off the table for the time being in the hope and assumption that they can move forward with breakfast, establish their business for that time of day, and then move to Sundays.

Councilwoman Milhaven: Thank you, sir.

Mayor Lane: Councilman Littlefield.

Councilman Littlefield: As a regular user of the airport, I can say that this particular spot has always

been problematic. It's been through a number of tenants and there's a variety of reasons for that, which would take too long to go into, but the bottom line is for us to require for them to be open on a day when they are not getting any customers seems a little foolish. It seems to me we would just push them even farther into eventually, it would be economically unviable and we might end up pushing them to closure. And then we wouldn't have any restaurant at any time. And I remember when this went out for bid the last time. It wasn't exactly a hoard or a mob of people looking to put a restaurant there. In fact, I remember the operator of the Deer Valley Restaurant, who has a very successful operation for different reasons and is in a different situation, decided not to, thought this wasn't viable. So I think there's no reason to push them into something that's going to cost them even more money without any obvious return and might even push them into closing the restaurant, especially since if, in fact, the demand does materialize as the esteemed airport director said, there's an opportunity for him to turn around and open it up. So that's why I think Option A is the appropriate option.

[Time: 00:29:38]

Mayor Lane: Thank you, Councilman. You know, it seems pretty obvious that if, in fact, there isn't any business, there's no particular reason to force somebody to sit there to do nothing, but it is of concern when we think about an airport restaurant, and having the kind of coverage for the convenience of pilots and traffic that may be coming through there. My concern would be, will this lead to success restricting the hours coming back? Will this actually give you an opportunity to grow and move the restaurant forward? Or is our clientele changed that much in the airport that it's, we're seeing a declining level of need for a restaurant in the airport there? You know, we went through the string of the airport restaurants that have been there. And my memory and experience with it was with the lessee for so many years, nearly 20 years and I realize that there was some major changes that took place in the terminal building when they ended up going out.

So getting that traffic back maybe was to reestablish it, but then it came back in a different form, I'm talking about the restaurants that initial got in this after the lease. I don't really have any problem and I think it makes all the sense in the world to allow them to adjust their hours. But I'm wishing and hoping for their success and not many restaurants say, hey, the way we will succeed is by reducing the number of hours we are open. So that's my only concern on that, if this is just a step in the path. At this point in time, to our needs, it's nice to have the restaurant there, but we certainly wish the success and to turn this around so the traffic is there throughout the entire time of the original contract. So with that, I have no further comments here. We do already have the motion and the second on the table. So I think we are ready to vote. All of those in favor as has been indicated in the motion, please indicate by aye and those opposed with a no. Aye. Motion passes 6-1 with Councilwoman Milhaven opposing. Thank you very much for your input. Okay.

ITEM 23 – WESTWORLD PAVING IMPROVEMENTS GENERAL FUND CAPITAL CONTINGENCY BUDGET TRANSFER

[Time: 00:32:12]

Mayor Lane: We move on to Item 23, the WestWorld Paving Improvements General Fund Capital Contingency Budget Transfer. We have not as advertised there, but as advertised here, we have Mr. Earle. Nice to see you, Derek.

City Engineer Derek Earle: It's actually a pleasure to be up here. It's been almost a year since I've had a presentation in front of you. With all due respect to Gary Mascaro, I have a very, very brief presentation. We would like to present to you tonight the proposed capital project to add additional paving out at the WestWorld site. The, there are would areas that we are looking at consideration, one is located, okay. I thought that was going to be the case, Brian. Thank you.

One is located just west of the north hall. That location was originally planned for the public art installation, which has since moved. The secondary area is north of the north hall. Very good. Thank you. It's the area north of the north hall. We call it east-west access, will be connecting Bahia Drive and 94th Street. The reason for these two areas being paved and the benefit we will see is number one, the area to the west will provide contiguous paving to the western portion of the building, which, again, that was originally left to be granite and it will be fully paved in that area. A lot of users do use that area for their operations. The area to the north will be a primary benefit for users that stage out of the north area.

[Time: 00:33:52]

Probably the biggest beneficiary, will of course be Barrett-Jackson auction. Their primary drop off for V.I.P. guests is in this area north of here, and that has been basically millings and gravel, up until now. So a big genesis of the request is to help provide better access to their main tent going in. In looking at this, there may some secondary benefits that we really have not identified. It does do some improvements between Bahia Drive and North Street. But it does connect further to the north. With that Mayor, members of Council, I will be available for any questions. I will go ahead and move over to the staff table if there are any questions.

Mayor Lane: Thank you, Derek, at the moment, we don't have any comments from the public nor any questions on it. We will address them as they come up, as they have. I will start with Councilman Robbins.

Councilman Robbins: Yes, Mayor, I think this is a good idea and I move to approve Resolution 9919.

Councilman Littlefield: Second.

Mayor Lane: A has been moved and second. Would the second like to speak to it at all? Okay. Councilwoman Korte?

[Time: 00:35:13]

Councilmember Korte: Thank you, Mayor. Mr. Earle, with all the money that we put into WestWorld, were these areas that remain composite not in the budget to be paved or was it because

of overruns? Help me with this one.

Derek Earle: Mayor Lane, Councilwoman Korte, actually you approved on consent agenda, not an actual reduction in the budget. We were able to close out in the original \$47 million of this project. The, these particular items were never contemplated in the original work that was done for the facility and so they are considered extra work. They were not in the original budget under consideration at all.

Councilmember Korte: Thank you.

Mayor Lane: Thank you, Councilwoman. Seeing we have no further comments or questions on this item. I think we are ready to vote. All of those in favor as the motion has been expressed with the resolution, those in favor, aye, opposed a nay. Motion passes 6-1 with Councilwoman Milhaven opposing. That completes that item.

ITEM 24 – MUNICIPAL PROPERTY CORPORATION BOND ISSUANCE

[Time: 00:36:22]

Mayor Lane: The next item is our 24, Municipal Property Corporation Bond Issuance and we have Lee Guillory to speak to that.

[Time: 00:36:37]

Finance Director Lee Guillory: This item is a request for your approval to proceed with the municipal property corporation bond issuance. Proceeds from the bond sale would be used to pay for costs of issuing the bonds and improvements being made at the TPC golf course. The project involves renovations to the club house and the stadium. It includes the men's locker room, remodeling of restrooms, resurfacing tees and greens, lengthening some of the holes, irrigation system improvements and bunker and lake remodeling. The projects are estimated to be completed in November of 2014. I also have other staff members here in the audience, if you have further questions about the actual improvements to the TPC golf course.

Due to your action on October 7th at 2014, the TNEC project will not need additional bond funding to finish paying for that funding. So the draft document will be edited to remove any mention of the TNEC project. So, again this new issuance is just for the TPC golf course improvements. When the bonds are sold, they will be sized so that the annual debt service payments total about \$1,073,000 per year while the pledged revenues to the bondholders will be the city's excise taxes. It is our intent to make the debt service payments from two funding sources, \$900,000 a year from tourism receipts related to the Princess lease, and an increase in the TPC golf course percentage fee which is expected to generate an additional \$173,000 a year.

Due to restricting the amount of the annual debt service to the \$1,073,000 a year, the bond proceeds may not be sufficient to fully fund the TPC improvements. We won't know this until the state of the

pricing which is scheduled to be in December, but you have authorized the use of up to \$1,150,000 of tourism carryover funds to make up any shortfall. Under current market conditions, we project that we would only need to use about \$500,000 of those tourism carryover funds. If you give us our approval to proceed, these would be our next steps. We would be meeting with the MPC Board in early November to get their approval as well to issue the bond. We would meet with the credit rating agencies in November. The pricing is tentatively scheduled for December 9th and the closing of the bonds would occur about January 6th which is when we would actually receive the funds. So unless there's questions, this would be the action item requested tonight.

Mayor Lane: Thank you, Ms. Guillory. At this point we don't have any comment cards from the public and no requests to speak on it right now. Given that, the only thing I would ask is from what we have on our Regular Agenda, and the Resolution 9903, unless it's been amended and I don't have the amended version of it, we would be crossing 1b off of the resolution which indicates up to \$1.2 million for the Tony Nelssen Equestrian Center project. That would be off of the resolution as I read it here.

[Time: 00:40:57]

Lee Guillory: Mayor Lane and speaking with the outside bond Council that drafted the resolution, the way it is worded with the terminology up to x amount for certain projects, the resolution could be passed as is, with the understanding that we won't be issuing the bonds for the TNEC project.

Mayor Lane: All right. Very good. No amendment needs to be made to any motion?

Lee Guillory: No, it does not.

Councilman Littlefield: Move to approve.

Mayor Lane: We have a motion to approve and seconded. So no further comment to be seen on that. I think we are then ready to vote. All of those in favor, please indicate by aye and those opposed with a nay. The motion is unanimous, 7-0. Thank you very much Ms. Guillory.

Clerk Jagger: We did not capture the second on that motion.

Mayor Lane: Councilman Robbins.

Clerk Jagger: Thank you.

Mayor Lane: Okay, our next, all right. All right.

ITEM 25 – MONTHLY FINANCIAL UPDATE

[Time: 00:42:15]

Mayor Lane: Our next order of business, actually, is our Monthly Financial Update and we have presenter of our treasurer, Mr. Jeff Nichols.

[Time: 00:42:22]

City Treasurer Jeff Nichols: Thank you, Mr. Mayor, and honorable members of Council, the monthly financial update as of September 30th, 2014, the close of the first quarter of our fiscal year, and I'm here to report that things are looking fairly well for the first three months of this fiscal year.

The sales tax, the, looking at the General Fund operating sources, I will wait to comment until the next slide on the general purpose sales tax increase there, of about \$400,000, favorable variance over budget because the next slide will address that. What I would like to get down to is about half way down the licenses, permit fees, fines and forfeitures, you see a 34% variance on that line item, or approximately \$500,000. Majority of that is timing of receipts. It's receipts related to rental payments, it's also contributions or donations that the city has received with no offsetting budget. So it's the receipts, as well as the SkySong, when we will receive those.

Building permits, you see we have actually \$4.5 million versus the budget of \$2.7 million for a favorable variance of \$1.8 million. And I would just like to, again, report this month, we increased this line item year-over-year based on budget by more than 20% when we were adopting the 2014 budget and we still, I believe, missed the mark. And where we missed the mark was the carryover, the permits that have been approved from last fiscal year, but now we are being told this fiscal year. We're seeing much greater increase in activity of permits pulled than we had anticipated. So I do believe that there is going to be a positive variance at the end of the year in this line item, and I would ask staff to look at it and give me a better idea of where they think we will finish up come June 30th, 2015.

The last item I wanted to talk about on this slide is the transfers in. We are seeing some increased fees in water service charges and when that happens, we see transfers into the General Fund related to the enterprise franchise in lieu fees and so those increased rates lead to increased transfers into the General Fund. Regarding the 1% sales tax, the reason I wanted to wait for that as you can see, about half of it, \$200,000, about three-quarters of way down under construction, you see we have a \$200,000 positive variance. That relates to the activities related to the building permits and it's the people that are constructing the multifamily and the single family homes and that tax is, of course, being generated by that increased activity. The balance of it, it's still fairly stable tax source.

[Time: 00:45:24]

When you look year-over-year, we have increased about 2% when you compare budget to actual. This slide, again, many, many months ago started. It's actually started on the very left-hand side with the red mark. You can see for a long time now, we have been above the line, and enjoying increased revenues year-over-year. Again, this month, for September, 2014, 7.8% month-over-month increase from September of last fiscal year.

However, what I would like to report, what is critical to me, is we are 7% year-to-date for first quarter over the first quarter of this time last fiscal year. So we are doing about 7% better. We had forecasted a 3% increase in this area. So that's good news as we go forward. The operating uses by category, salaries and wages, there's two areas, and it's for the salaries and the wages, it's Police and community services, and the Police department, they are filling quite a few positions in the command staff, the upper level staff that they have within the Police department. These positions are being filled by people that are making, are being compensated less than what we have budgeted. So we are seeing some savings in that area.

And then in Community Services, they are taking a good look at the way they use their wages, their part-time people and their programming and they have really tightened up that and we are enjoying some savings from that. The overtime overage of \$200,000 is related mostly to Police and Fire, and within the Police department, what is being reported is they are having some sergeant assignments. They are working on the disposal of evidence from the evidence room. If you know that was an audit that the City Auditor had pointed out this increase cost may be approaching us years down the road when we run out of space. They are addressing that issue in the audit. They had some increased costs in overtime related to the couple of storms that we had this year. Where their officers had to be out and assisting the general public during these monsoon storms and it created some overtime issues. Within the Fire department, a negative variance of approximately \$75,000. Most of that is due to maintaining minimum staffing levels while they have some people off duty right now, related to some medical issues.

[Time: 00:48:01]

Going further down the line, if you look under contractual commodities and capital outlay, you see we are enjoying \$500,000 favorable variance at this point in time. A lot of this is timing issues. People are budgeting stuff in the first quarter of the fiscal year. We haven't received the invoices for it, we haven't paid for things. But what is being masked, you will see on the next slide and that's public works department has been doing a great job of closing buildings down, the Human Resources over on Main Street and another building and moving staff around and there's been a cost related to that, which is being matched right now. But if I go to this slide, and we go to operating uses by division, you will see there at the bottom of the slide, Public Works currently has a \$300,000 negative variance and that's all related to those moves. I believe when the City Manager brought that package forward, he had told you that we would enjoy revenues related to the sale of these buildings. We would enjoy ongoing savings, related to the maintenance and the operation of these buildings but there would be an up front cost to move these people into our current building. So this was anticipated.

But overall, the beginning, the first quarter of this fiscal year, we were projecting an \$11.2 million, projecting an \$11.2 million variance, that variance is only a change in fund balance, it's \$7.4 million, or \$3.8 million favorable variance at this point in time. And with that, I would be happy to address any questions you all may have.

Mayor Lane: Thank you, Mr. Nichols. It looks like you are pretty comprehensive. I don't see any

comments or questions from Council at this point in time. And, of course, this is for information, only, but I would take that as a clear sign that thanks for the presentation and excellent job.

Jeff Nichols: You're welcome. Thank you, Mr. Mayor.

Mayor Lane: Okay.

ITEM 26 – FISCAL YEAR 2013-2014 FINANCIAL UPDATE

[Time: 00:50:18]

Mayor Lane: Standing by his post for the next issue, the Fiscal Year 2013/14 Financial Update, we have Mr. Nichols with us again.

City Treasurer Jeff Nichols: Well, as you said, Mr. Mayor, members of the Council this is the financial report for the year ended June 30th, 2014. I would like to remind you all that these are preliminary results. We don't have the signed audited opinion yet, so I doubt they will change very much and as a matter of fact, what we are hearing from our auditors is that the audit is going straight into quality review. It is not even being sent back to us. So it looks like we are on track and actually a little bit ahead of schedule, as far as that is concerned. So I'm very happy with that.

Again, looking at the General Fund operating sources, one thing I would like to point out, the magnitude of the sales tax, approximately 49% of our revenue, our General Fund revenue is derived by sales taxes and I say that when you look at the general purpose, the first line item and then the public safety sales tax, but then when you add in state shared sales tax, it brings it up to about \$123.8 million of our \$251 million. This is a critical resource for us, and what I would really like to point out is on the 1% general purpose, the items that we budget, that we don't get from the state, you will see how good of a job staff has done, and, in forecasting that revenue.

One thing I would like to add right now as we go down, you notice it said forecast used budget adoption. When we use this forecast to compare our fiscal year actual with, this was the one that we used when we were adopting the forecast for the '14/15 budget. But we took into account some transfers. If you remember on July 2nd we brought forward the transfers that we say aligned with policy. And this forecast uses those figures. And I believe that's why you see that we are very close. However, I say that and you see other areas, for instance, when we are go down and look at the transfers in, there's a \$1.6 million favorable variance. There's is some funding from the Maricopa County stadium district and the state tourism and sports authority. It comes into the General Fund. It increased our transfers. It was not budgeted. We will transfer it out. You will see that in a later slide over the debt service fund, that transfer wasn't, was also not budgeted. Even building permits when we had a few months left to go, we thought we had increased them at a level of \$13.8 million that that would be sufficient from the activity from that point to the end of the fiscal year. We were still operating a little bit more robustly, if you will, in that area and collecting more revenues than we had anticipated through the end of the fiscal year.

[Time: 00:53:26]

Mayor Lane: Excuse me, Mr. Nichols. On that one, on the transfer in, you mentioned that obviously we have a 15% favorable variance or a \$1.6 million if I'm reading it right across that line.

Jeff Nichols: Yes.

Mayor Lane: And then you said it was because we had not anticipated that. And I'm presuming that for tourism, and sports and tourism funds and the county funds that we're referring to here, circumstances have changed substantially, in order to have reversed what was otherwise seen as a relatively poor situation for both of those funds and you are making sure we are compensated in those contracts that those pay, the debt service they pay for?

Jeff Nichols: And actually, within those two contracts that we have with those two entities, they have paid as far as Scottsdale is concerned, they have paid us ahead. We have money that they have already given us, that we're holding for future debt service payments. So we have not been affected by the change in the laws recently, regarding the revenue sources for that.

Mayor Lane: And I had understood that, but I, when you say it was unanticipated to have.....

Jeff Nichols: It was non-budgeted.

Mayor Lane: It was non-budgeted. So we were obviously working with a different set of circumstances at the time. If I were to just set aside at the moment the fact that they paid on advance in the tourism, the sports and tourism funds for that debt service. What is the surprise here that wasn't budgeted that we are now seeing the results of?

[Time: 00:55:01]

Jeff Nichols: Mr. Mayor, members of the Council, I'm not exactly sure why it wasn't budgeted when we were going through the budget process for '13/14. We just know it wasn't. It was a revenue source that didn't align with a budget, but I will get back to you with an answer on that if you would like.

Mayor Lane: Yes, thank you.

Finance Director Lee Guillory: Mayor Lane, if I may interrupt for a moment and clarify that response. This is money we have actually received from the sports and tourism authority and the Maricopa County stadium district over several years. It was just being received into a different fund.

Mayor Lane: I see.

Lee Guillory: And the auditors when they looked into the contract said that the money should be receded into the General Fund. This was a transfer out of one fund and into this fund. As Jeff

mentioned it will be transferred out again to make the debt service payments for the bond. So it is money that the city has been collecting all along. It's just being recorded differently.

Mayor Lane: So it wasn't budgeted on this line item within this source?

Lee Guillory: That's correct. It was budgeted just in a different fund.

Mayor Lane: Okay. Thank you.

Jeff Nichols: That reminds me, I should always look to my left when I'm looking for an answer.

Mayor Lane: I'm sorry. Yes, Councilwoman Klapp.

[Time: 00:56:14]

Councilwoman Klapp: On the last slide, you might have mentioned and I could have missed it, what is the other category, miscellaneous? What is under that?

Jeff Nichols: Miscellaneous, the \$1.8 million variance, it included some things such as the sale of real estate. We had sold some real estate on Scottsdale Road on the Bellevue property. Those were unbudgeted sales, if you will. It also included TPC rental expense increase from the 10% to the 1.5%. We received about \$100,000 for that. In addition, all through the year and as we go through the audit process, we have received checks and it could be an expense that we made previously. Some of it relates to training that we get reimbursed. When we receive those checks in, accounting staff go ahead and do a recovery of the expense. It's a revenue item. But we don't just credit the expense. We don't just reduce the expenses in that category. We bring it in as a revenue, and that's the majority of that funding above and beyond what was budgeted.

Councilwoman Klapp: Thank you.

Mayor Lane: Thank you, Councilwoman.

[Time: 00:57:30]

Jeff Nichols: As I had pointed out earlier, on the forecast, the 1% variance or \$800,000 in total, there was no category in here that I thought was big enough to really ask staff, you know, why this was a variance. I think when we are budgeting at the levels that we are, and there's slight variance, it shows that staff is doing a very good job of budgeting. The operating uses by category, again, the unfavorable or the favorable variance and salaries and wages, \$200,000 of that, \$600,000 relates to Community Services, and it's their effort, I would really like to give them a lot of kudos. Bill and his group do a great job of managing their budget. They are always looking for saves and usually are successful in finding them within their operations. And the other is just across the division.

We have had multiple divisions that are hiring employees, long-term employees are leaving. These

positions are budgeted at a higher salary to people that they are hiring to fill those positions, they are being paid less. And we enjoy some savings for that. This is not swept with our salary savings because these positions are filled. We only sweep vacant positions. It's just savings from budget that will correct itself next year when we budget for that new staff person, that budget will decrease for that position. I would like to point out the one thing I had mentioned, you look under contractual commodities and capital outlays. We enjoyed about a \$3 million variance. Some of that we reach out to the departments at the end of the fiscal year and we ask them where they think they will end the fiscal year, as far as their spending. There's some reluctance to say that they will have savings, although we know those savings are going to accrue to us. And I think this is an example of that.

Now, some of it, I know that the Police department did not make some procurements towards the end of the fiscal year to make up for the overtime budget. The unfavorable variance in overtime, so they were cognizant of that, and didn't spend in other areas. Some of it just happens because we run out of time at then of the fiscal year, the end of the fiscal year and there's still money left over. I think people naturally did, they don't want to go over budget. So they are very careful about their procurement towards the end of the fiscal year. If you look at a division level, again this was after the July 2nd, the forecast use for the budget adoption, every division finished with a favorable variance except for Police and fire, but they finished right on target in total for their budget. And so, to end the fiscal year, we had a favorable variance of \$7.9 million, looking at revenues of \$251.9 million or sources and uses of \$247 million. Unassigned, unreserved fund balance increasing to \$17.6 million at the end of the fiscal year.

[Time: 01:00:50]

And now I would like to walk you through a statement of position. Some of you might refer to it as a balance sheet. And start with the statement of position as you can see, far bottom right-hand side corner, our net position only increased by \$8.7 million. So a very, very small increase when you look at total assets of \$5.8 million. Assets went up by \$25.6 million. The majority of that being cash. Capital assets went down by \$53 million. The majority of that being depreciation, some retirement, but the overall net position of the city, positive increase of \$8.7 million. Not very big for an entity of our size.

When I had this cash and cash equivalent balances, I wanted to show you this, because quite often, people say, well, you have a lot of money, why do you need to ask for contingency to do something or why can't we, you know, why do we have to go out for bond funding? If you look down at about the 5:00 to 6:00 position, you see the General Fund unassigned. You see \$22.6 million. That includes a \$17.6 million that I pointed out in the previous slide and the \$5 million of contingency that the city had at June 30th, 2014. I would like to remind you that we did decrease the \$5 million contingency to \$3 million for the '14/15 budget. And that was based on actuals from uses from prior years and it was just felt that \$5 million was excessive, that 3 million should be able to handle everything that the city, that would come up in the city. Overall, we have a lot of cash in the bank, a total of \$475 million. The majority of it is spoken for, for one thing or the other.

I could go around the wheel there and read the different budgets that we have, but this is our

accounting system. It's how we make sure that the funds that we get are spent for the purposes that they were intended for and we can show that through the audit. Under the receivables line the \$94.4 million, the first one is self-explanatory, property taxes. Under the other local taxes, the vast majority of that 19.3 million is related to the sales tax. We have state shared sales tax receivable, of \$1.6 million, some auto in lieu tax and the intergovernmental receivable, most of that relates to state RICO and federal RICO and about \$2 million in grants. And when you see the interest in others, there was 18 different accounts that make up that \$9.2 million.

The bottom line is most of it, some of it related to TGEN and some of it related to the RWDS. The \$125 million other primary service concession agreements and prepayment, if you recall, we have a concession service agreement with the BOR related to the WestWorld land and the TPC land. We have some concession service arrangements and some prepayments in that category. It's also related to the capitalization of assets at WestWorld, when we capitalize the assets there, they get reported to the increase in the concession service agreement.

[Time: 01:04:47]

Mayor Lane: Mr. Nichols?

Jeff Nichols: Yes, sir.

Mayor Lane: The two items under receivables I'm sort of curious about, the two largest items. The other local taxes, you said about \$20 million of that was sales tax. How much of that sales tax that receivable is in the normal cycle of receipt, rather than delinquent?

Jeff Nichols: Mr. Mayor, members of Council, I do not have that breakdown. It's \$19.3 million. So I would say that that aligns very well when you think about our total sales tax collections of approximately \$20 million. I would doubt that very little of that is delinquent. I assume that some of it would be delinquent sales taxes but I think the majority of that is just current. It's taxes that were earned in June, but won't be collected until July.

Mayor Lane: So it may be on the basis then in anticipation of a sales tax return that's coming to us that we do not yet have the numbers because they need to remit with the sales tax return, when they submit that, they need to, they need to resubmit the money to cover it. So I presume that generally speaking it's on a cash basis. You wouldn't really have any receivables, if I'm understanding it correctly and I could have it wrong. If it's estimated ahead of time of what's coming in.

Jeff Nichols: Mr. Mayor, members of Council, if you recall for the most part too, we keep our books open for a period of time at the end of the fiscal year. And we make closes. We do certain closes and we do certain transactions and different closes. I would imagine by the end of July, we have the most of the vendors have reported their June sales taxes and have told us what they are going to be paying and we receive those payments in July. This is simply accruing them back to June and saying they were account receivables for June because it was June account activity.

Mayor Lane: Thank you. I understand that completely. On the intergovernmental side of it, and maybe this is in anticipation and a concern, really, for some of our major receivables due intergovernmentally from the state. Do we have an additional period of time on shared tax revenues that we live with as a matter of course and does that indicate that number doing exactly the same thing you are just mentioning now at the end of the fiscal year?

Jeff Nichols: Mr. Mayor, members of the Council, I would assume under the intergovernmental, since a lot of it was related to state and federal RICO, it's, again, something we have applied for. We know that we are going to receive it, we just haven't received it yet. So we record it as a receivable at year end. Because it's been authorized.

Mayor Lane: So the sales, I'm sorry, the shared tax revenue is not handled, it's not handled under the intergovernmental.....

Jeff Nichols: No, it's not. It's up in the state shared, those state shared taxes are up in the other local taxes.

Mayor Lane: All right. Thank you.

[Time: 01:07:58]

Jeff Nichols: You are welcome. And, again, net capital assets, governmental type, what I wanted to point out here we have heard a lot of talk about this. I just wanted to point out that the total land value for preserve land and non-preserve land is equal to about \$1.8 billion or 51% of our total capital asset. And so, of course, there is no depreciation on land. Construction and progress, again, it is exactly what says it is. It would fall into one of those other categories, building and land, motor vehicle and fleet, so it is construction in progress. We are not depreciating it at this point in time.

Where our focus is in this area on streets and storm drains, we have about \$1.2 billion in assets. We do have programs both in the capital side and the operating side that we make reinvestments in those streets and storm strain drain. The last update from the Public Works Director, and it is declining from a tie in the mid'80s down to about the mid-70s at this point in time. At some point, I would think that if Council starts hearing from your constituents that they feel that the streets aren't drivable, or, you know, they are deteriorating and you are getting requests to fix stuff, that might be something that you would want Mr. Worth to bring back and give you an idea about moving it to a higher pavement condition index and what that would take. I looked at building lands and improvements and I will follow up with a slide on the depreciation. Again, we are making significant investments in those areas. Are they as significant as they were when we had a bond program in place? No, they are not. So that may become an issue in the future. These are only our governmental type, though.

We have our assets, net capital assets by type for the enterprise fund. And, again, the two major categories you see here, water systems and sewer systems, it makes perfect sense and, again, quite a bit, almost \$1.5 billion in assets within this enterprise, and we do make significant investments in that,

on an annual basis as well. I believe the people in our water department not only do they operate the assets of the enterprise fund very well, but by necessity also maintain them very well. So when we look at annual depreciation by type for governmental, again, there's the streets and the storm drains about \$86.6 million in depreciation.

Building and improvements \$19.4 million. And that's, again, for governmental type. Annual depreciation type for the enterprise fund, water systems, \$29.7 million, sewer systems about 15 million. Again, significant depreciation within the enterprise fund. But our investments, and this is just on the capital side. This does not include the operating side, you see there are streets and storm drains. We added \$11.6 million in improvements and those improvements can include the street overlays. It can include improvements to which we just add to the parent asset, if it meets our requirement. You see, building and improvements of \$11.5 million, that's investment that the city made last year, so a total of \$118 million, however, I would discount the construction and the progress because, again, it is just like it says. It's in progress, it's not complete, when it is complete, it will fall out to one of those other categories within the governmental type of funds.

[Time: 01:11:56]

The enterprise fund, the acquisitions by the enterprise funds for the sewer system, of approximately \$17 million and \$36 million. So, again, about \$60.4 million and unless we are building new water lines and unless we are building new sewer lines a lot of these improvements are replacing infrastructure that currently exists. We have an old sewer pipe and we replace it with a new asset with a longer life. There's quite a bit of work being done in this area. Last the accruals and other liabilities. You see the accounts payable, it beings for about \$30.4 million of that, but the largest part of that figure is \$85.5 million, and that's in bonds payable. Matured bonds and interest payable. This is payable at June 30th, 2014 because we know we will turn around on July 1st and we will make our debt service payments. We know what those payments are. The accrued compensated absences, that's \$28.3 million figure, about \$12.7 million of that, was due within one year. So it was a payable that we knew we would be paying out this fiscal year, '14/15 and approximately 16.6 million of that was earned, but we know it will be paid out after one year, can we do that through an actuarial study.

Under the other liabilities, the largest obligation under other liabilities is for 9 pollution remediation obligation that we have, again, it's about \$52.5 million. I wanted to point to you the current outstanding bond loans and bond loans, our debt, if you will. The vast majority of this debt, water and sewer is bonds that were issued and it's retired by rates and fees from the sewer, the reserved debt, the SDA debt. It's issued, but it's retired by the two tranches of sales tax that go to pay for the preserve land. The general obligation debt is the only debt that's paid for. That's the debt related to the tax, secondary property tax that landowners and homeowners within the City of Scottsdale pay. That's the debt that we fund with property taxes if you will. The excise tax supported debt, the \$218.9 million is just what it says.

We have identified our revenue source and we will be paying off that debt over time with that revenue source. A good example of that would be the TNEC improvements that were just done, the TPC

improvements that are being completed. They would be financed with excise tax. Our off balance sheet liabilities that we continue to monitor, compensated absences, it's for future earnings that we know they will earn in the future, it's not on the face of our financial statement at this point in time. The implicit subsidies that we continue to have for the public safety medically retired personnel, you recall you took action and you said that those people would receive the same rates that city employees received for their medical insurance. So there's a subsidized portion of their medical care that would be, that is not on the balance sheet, that we know we are going to have to pay into the future for those people. The largest by far is the pension obligations for both ASRS and public safety personnel system which we will know at this point in time next year, actually before this point in time, what that obligation is because the Arizona State retirement system and the public safety personnel retirement system are required to give us those unfunded liabilities next year so that we can include them in our financial, our annual financial report. So with that, I would be happy to take any questions that you all may have at this time.

Mayor Lane: Thank you Mr. Nichols. Very good presentation and I appreciate it and answering some of the questions as we went along. I don't see any additional questions for you right now. Again, a clear indication of the completeness of it. So thank you very much for the answers. They went along.

Jeff Nichols: Thank you.

MAYOR AND COUNCIL

ITEM 27 – BOARDS, COMMISSIONS AND TASK FORCE NOMINATIONS

[Time: 01:16:40]

Mayor Lane: Moving along to our next item which is under Mayor and Council, and Item 27, the Boards and Commissions and Task Force Nominations. We will have Rachel Smetana maintaining the podium and I will turn it over to Vice Mayor Phillips. You're on.

Vice Mayor Phillips: Thank you, Mayor. This evening, the City Council will be nominating Scottsdale residents interested in serving on nine citizen advisory boards and commissions. The nine vacancies are the Board of Adjustment, Building Advisory Board of Appeals, Environmental Quality Advisory Board, Industrial Development Authority, Judicial Appointments Advisory Board, Loss Trust Fund Board, Neighborhood Advisory Commission, Personnel Board and the Transportation Commission. We received no applicants for the Building Advisory Board of Appeals or the Loss Trust Fund Board. No Council action is needed. Those will be interviewed at the City Council meeting on Wednesday, November 12th and appointments will follow each set of interviews. So let's get started. The World Series, I think.....

Councilwoman Klapp: 3-0 giants. Go Giants!

Vice Mayor Phillips: Go Giants. I think we are getting a hint here or something.

BOARD OF ADJUSTMENT

[Time: 01:17:54]

Vice Mayor Phillips: The Board of Adjustment. They can decide on appeals from administrative decisions and variances on the provisions of the zoning requirements. There's one vacancy and one applicant. The applicant is Mr. M. Alfred Adli. I will receive nominations starting with Councilmember Korte.

Councilmember Korte: I nominate Mr. Adli.

Vice Mayor Phillips: Okay. Mr. Adli has been nominated.

ENVIRONMENTAL QUALITY ADVISORY BOARD

[Time: 01:18:30]

Vice Mayor Phillips: Environmental Quality Advisory, there's two openings. Environmental Quality Advisory Board provides guidance on the prioritization of future environmental activities and recommends environmental policies to the City Council. There are two vacancies but only one applicant. The applicant is Michael Hulst. I will now entertain nominations for the Environmental Quality Advisory Board.

Councilman Littlefield: So moved.

Mayor Lane: I nominate Michael Hulst.

Vice Mayor Phillips: Mr. Hulst has been nominated.

INDUSTRIAL DEVELOPMENT ADVISORY BOARD

[Time: 01:19:08]

Vice Mayor Phillips: Moving on to Industrial Development Authority, there's one opening. The main function of this board is to issue tax exempt bonds for certain types of private development for the purpose of attracting new economic activity to the community. There was an application turned in this afternoon and is on the dais for your review. There's one vacancy and three applicants. The applicants are Jessica Amrine, Paul Watkins, and Timothy Stratton. And each Councilmember can nominate one applicant.

Councilwoman Klapp: Jessica Amrine.

Councilwoman Milhaven: Tim Stratton.

Councilman Robbins: Paul Watkins.

Vice Mayor Phillips: Okay, I believe all three have been nominated.

JUDICIAL APPOINTMENTS ADVISORY BOARD

[Time: 01:19:59]

Vice Mayor Phillips: Moving on to the Judicial Appointments Advisory Board. There's one opening, the Judicial Appointments Advisory Board makes recommendations to the City Council regarding the appointment and reappointment of full-time city judges. The applicant is Bill Crawford. I will entertain nominations, starting with myself, I have no nominations.

Councilmember Korte: None.

Councilman Littlefield: None.

Mayor Lane: None.

Councilwoman Klapp: None.

Councilwoman Milhaven: None.

Councilman Robbins: None.

Vice Mayor Phillips: Okay the Judicial Appointments Advisory Board remains open.

NEIGHBORHOOD ADVISORY COMMISSION

[Time: 01:20:48]

Vice Mayor Phillips: Next we have the Neighborhood Advisory Commission. There's one opening. The Neighborhood Advisory Commission advises the City Council regarding implementation of programs and prevent the decline and deterioration of our neighborhoods. There's one vacancy and there's one applicant, it's Jennifer Fabiano. I will now entertain motions for the Neighborhood Advisory Commission.

Councilwoman Milhaven: Ms. Fabiano.

Vice Mayor Phillips: Okay, Ms. Fabiano has been nominated.

PERSONNEL BOARD

[Time: 01:21:23]

Vice Mayor Phillips: Next the Personnel Board, the Personnel Board hears appeals committed by city employees related to dismissal, demotion or us is mentions and commits his recommendations to the City Manager. There's one vacancy and two applicants. The applicants are Stacy Gabriel and Steven Guttell. I will now entertain motions for the Personnel Board.

Councilman Robbins: Stacy Gabriel.

Vice Mayor Phillips: No nomination here.

Councilmember Korte: Steven Guttell.

Vice Mayor Phillips: Ms. Gabriel and Ms. Guttell have both been nominated.

TRANSPORTATION COMMISSION

[Time: 01:22:04]

Vice Mayor Phillips: Next is the Transportation Commission. There's one opening. The Transportation Commission is an advisory board to the City Council on matters related to transportation. Robert Stickles is available for your appointment. There's one vacancy and three applicants and the applicants are Philip Apostolou, Jordan Hibbs and Robert Stickles. We will now entertain nominations for the Transportation Commission. Each Councilmember may nominate one applicant, I believe that's me starting and I have no nominations.

Councilmember Korte: Robert Stickles.

Councilman Littlefield: No further.

Councilwoman Klapp: No further.

Councilwoman Milhaven: No further.

Councilman Robbins: No further.

Vice Mayor Phillips: Okay Mr. Stickles has been nominated.

This concludes the nomination process this evening. City staff will contact those who have been dominated and provide them with additional information about the interview process. I would like to take this opportunity to sincerely thank those who applied to serve on the citizen advisory board or commission. Even if you were not nominated the application will remain on file for one year, for consideration at a future date if there's additional vacancies. Thank you very much, and I will turn the meeting back over to the Mayor.

Mayor Lane: Thank you, Vice Mayor.

PUBLIC COMMENT

[Time: 01:23:25]

Mayor Lane: We do have one item of Public Comment. I presume we have no petitions either. And it would be Jimmy Van Zandt.

[Time: 01:23:55]

Jimmy Van Zandt: You have to forgive me, I'm a fish out of water. How are you doing, Jim? I have a concern about Uber X operating in the City of Scottsdale. The ARS 28-4033 state legislature said all vehicles picking up passengers have to have commercial insurance and protections. Uber X hides under Uber Black Car. They are not the same and Uber Black Car is legal, and has been registered with the state to pick up people. The risk to the City of Scottsdale is when the people from off the couch smoking a bowl, retirees, they can't see at night. All of these guys are Uber X drivers. Anybody and everybody. And they invade our profession. We are feeling it in the pocket. They don't know the tourism. They don't know where to take people because they are not in the profession. And they are stealing all the business and it's hurting us bottom line, plus they are doing it illegally.

They just told the CEO of Uber just told the Mayor if you have laws on the books, you should have enforced them, or get on board and move out of the way so that Kevin Johnson, the former Sun in Sacramento, and nobody is enforcing these laws, except for Tempe and Phoenix. They pick up at restaurants, popular places like City Hall or Lincoln and Scottsdale Roads and when the girl in San Francisco got killed by one of the Uber X drivers, Uber says we are just an app. The car should have the insurance, but it encourages the car to drive and tells them they have an umbrella policy when common sense if the car don't have insurance, you don't have insurance and you can't do it on your personal insurance. Besides, your company will cancel you and not pay you any claims when you have an accident. So they are hurting us in the pocket and the tarnishment of safety in the City of Scottsdale and liability. So I wish more officers would just enforce that ARS 28-4-4033 by the states of weights and measures because Uber will not educate them.

They have \$1 a mile, when the gas is \$3 a mile, when somebody can sustain when the state requires us to have commercial insurance, which is very expensive and we can't compete with that. Every customer chooses it for the type because Uber comes to town and rides Black Car and limo services. It hides behind them to make themselves popular and it creates Uber X a year later and gets away with its name Uber but hides the fact that Uber X is the illegal drivers. I saw a woman, I don't know in her 70s driving somebody. Had her Uber phone on, on the dash at the stop sign. I saw.....

Mayor Lane: I need you to have you wrap it up. We are out of time.

Jimmy Van Zandt: Okay. Sorry. I'm saying the liability, the risk and the unfairness of making me get those licenses and fees to operate in the City of Scottsdale should be to all. Thank you.

Mayor Lane: Thank you, Jimmy. That completes the Public Comment for this end of the meeting. I have no petitions. No further items. No other comments.

ADJOURNMENT

[Time: 01:27:55]

Mayor Lane: So I would accept a motion to adjourn.

Councilman Littlefield: Move to adjourn.

Councilwoman Milhaven: Second.

Mayor Lane: Moved and seconded. All in favor, aye. We are adjourned. Thank you very much.