

SCOTTSDALE CITY COUNCIL
WORK STUDY SESSION MINUTES
TUESDAY, FEBRUARY 24, 2015



CITY HALL KIVA
3939 N. DRINKWATER BOULEVARD
SCOTTSDALE, AZ 85251

CALL TO ORDER

Mayor W.J. "Jim" Lane called to order a Work Study Session of the Scottsdale City Council at 5:06 P.M. on Tuesday, February 24, 2015 in the City Hall Kiva.

ROLL CALL

Present: Mayor W.J. "Jim" Lane
Vice Mayor Linda Milhaven
Councilmembers Suzanne Klapp, Virginia L. Korte, Kathleen S. Littlefield,
Guy Phillips, and David N. Smith

Also Present: City Manager Fritz Behring, City Attorney Bruce Washburn, City Treasurer Jeff Nichols, City Auditor Sharron Walker, and City Clerk Carolyn Jagger

MAYOR'S REPORT

Mayor Lane invited everyone to attend the 62nd Annual Parada del Sol Rodeo at WestWorld February 26 through March 1.

Mayor Lane announced the 178th Winfield Scott birthday celebration at noon on February 26, 2015. The free event will be held at the Scottsdale Historical Museum.

PUBLIC COMMENT – None

1. Strategic Planning Workshop

Request: Presentation, discussion, and possible direction to staff regarding updates on the implementation of the mission statement and City Council priorities, and identify any changes to City Council priorities and strategies.

Presenter(s): Brent Stockwell, Strategic Initiatives Director

Staff Contact(s): Fritz Behring, City Manager, 480-312-2800, fbehring@scottsdaleaz.gov

Strategic Initiatives Director Brent Stockwell gave a PowerPoint presentation (attached) on the Mayor and Council's priorities and objectives and solicited feedback on possible changes, additions, or deletions.

NOTE: MINUTES OF CITY COUNCIL MEETINGS AND WORK STUDY SESSIONS ARE PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ARIZONA REVISED STATUTES. THESE MINUTES ARE INTENDED TO BE AN ACCURATE REFLECTION OF ACTION TAKEN AND DIRECTION GIVEN BY THE CITY COUNCIL AND ARE NOT VERBATIM TRANSCRIPTS. DIGITAL RECORDINGS AND CLOSED CAPTION TRANSCRIPTS OF SCOTTSDALE CITY COUNCIL MEETINGS ARE AVAILABLE ONLINE AND ARE ON FILE IN THE CITY CLERK'S OFFICE.

There was general consensus to direct staff to make the following modifications to the Mayor and Council priorities:

- *Priority A. Partner with residents and businesses to revitalize the McDowell Road corridor.*
 - Update the priority to reflect that the City is continuing these efforts and to include a provision related to SkySong.
- *Priority B. Provide strategic support of tourism and visitor events.*
 - Include objectives associated with the Desert Discovery Center and Downtown.
- *Priority C. Create and adopt a comprehensive economic development strategy.*
 - Change “create and adopt” to “carry out.”
- *Priority D. Develop a transportation strategy that anticipates future needs.*
 - Revise the objectives to include increased communications related to transportation options, funding, and needs.
- *Priority E. Prepare and adopt fiscally sustainable operating and capital budgets.*
 - Strategic Initiatives Director Brent Stockwell committed to reviewing and updating Priority E.
- *Priority F. Reinvest in a high performance organization and work culture.*
 - Consider including objectives to provide for climate surveys, in sync with management’s goals, and to provide updates to the Council on tuition reimbursement.
- *Mayor and Council Additional Priorities:*
 - Explore the suggestion to include maintaining strong neighborhoods as a subset to Priority C.

2. Rules of Council Procedure

Request: Presentation, discussion, and possible direction to staff regarding modifications to the adopted “Rules of Council Procedure,” including draft revised rules containing clarifying language changes and an additional provision regarding electronic communication during public Council meetings and executive sessions.

Presenter(s): Bruce Washburn, City Attorney

Staff Contact(s): Bruce Washburn, City Attorney, 480-312-2405, bwashburn@scottsdaleaz.gov; Carolyn Jagger, City Clerk, 480-312-2411, cjagger@scottsdaleaz.gov

City Attorney Bruce Washburn reviewed the proposed revisions to the Rules of Council Procedure, including the addition of Rule 5.11 related to electronic communications.

Staff was directed to return with a finalized document for Council approval, with all suggested changes and a revision to Rule 5.11 to reflect that the rule applies to two-way communications (change the word “to” to “to/from”).

3. Tax Exemption on Retail Sales of Food for Home Consumption

Request: Presentation, discussion, and possible direction to staff regarding tax exemption on retail sales of food for home consumption.

Presenter(s): Jeff Nichols, City Treasurer

Staff Contact(s): Jeff Nichols, City Treasurer, 480-312-2364, jenichols@scottsdaleaz.gov

City Treasurer Jeff Nichols gave a PowerPoint presentation (attached) on the City’s tax revenue and the potential impacts of an exemption on retail sales of food for home consumption.

There was general consensus to not make changes to the City's sales tax structure for FY 2015/16, as it relates to retail sales on food for home consumption, but to continue to look at this issue as part of the budget processes.

MAYOR AND COUNCIL ITEMS – None

ADJOURNMENT

The Work Study Session adjourned at 7:20 P.M.

SUBMITTED BY:



Carolyn Jagger
City Clerk

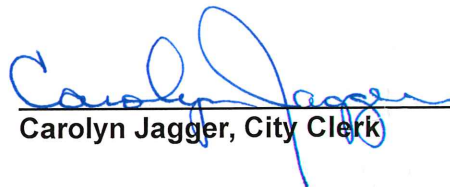
Officially approved by the City Council on March 17, 2015

CERTIFICATE

I hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Work Study Session of the City Council of Scottsdale, Arizona held on the 24th day of February 2015.

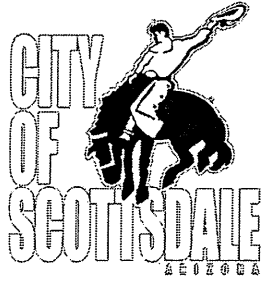
I further certify that the meeting was duly called and held, and that a quorum was present.

DATED this 17th day of March 2015.



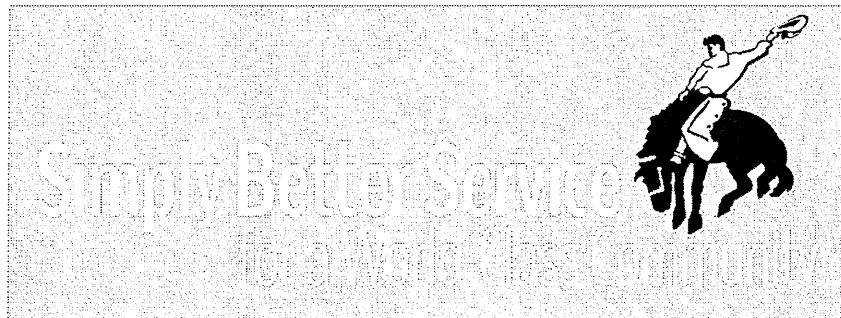
Carolyn Jagger, City Clerk

Item 1



Strategic Planning Workshop

Feb. 24, 2015 City Council Meeting



Council Priorities (short-term goals):

- A. Partner with residents and businesses to revitalize the McDowell Road corridor.
- B. Provide strategic support of tourism and visitor events.
- C. Create and adopt a comprehensive economic development strategy.
- D. Develop a transportation strategy that anticipates future needs.
- E. Prepare and adopt fiscally sustainable operating and capital budgets.
- F. Reinvest in a high performance organization and work culture.

Additional ideas for priorities

- Ensure a safe and secure atmosphere for our residents and guests
- Encourage and support strong schools throughout Scottsdale
- Protect and enhance a sustainable high quality of life in our existing neighborhoods.

On-going communication methods

- City Council Update
- City Council Meetings
- Detailed Strategic Plan Update
- Quarterly Performance Report



Tonight's Agenda Item

Presentation, discussion, and possible direction to staff regarding updates on the implementation of the mission statement and City Council priorities, and identify any changes to City Council priorities and strategies.

Economic Development Priority

Current:

Create and adopt a comprehensive economic development strategy

Possible Change:

Carry out the adopted comprehensive economic development strategy.

Carry out the adopted comprehensive economic development strategy.

1. Retain and grow existing economic drivers and employers
2. Support efforts that will enable Scottsdale's present and future employers to cultivate, retain and attract the talent that they need
3. Focus efforts and investment in strengthening key employment and business centers
4. Elevate Scottsdale's engagement in the national and international economic development arena
5. Build a Scottsdale business location brand on par with Scottsdale's tourism brand
6. Grow and attract quality firms and jobs – domestic and global in targeted sectors

Item 3

Tax Exemption on Retail Sales of Food for Home Consumption

City Council
February 24, 2015

Food for Home Consumption

- Represents those packaged items purchased from a retail vendor such as bread, milk, soda, crackers, meat, etc.
- Does not include alcoholic beverages or tobacco

Model City Tax Code

- Establishes a more uniform taxation system for Arizona cities
- Allows cities to have a separate sales tax category for retail sales for food for home consumption

Other Governmental Entities

- State of Arizona: Does not tax food for home consumption
- Maricopa County: Does not tax food for home consumption
- Valley Cities
 - 20 of 22 (91%) valley cities tax food for home consumption
 - *Exceptions Mesa and Surprise*
 - *Phoenix considering the final phase out in March 2015*

Tax Rates

- Average tax rate of 20 valley municipalities is 2.3%
- Scottsdale's Tax Rate – 1.65% (0.65% is voter approved)
 - 1.00% - General Fund
 - 0.35% McDowell Sonoran Preserve
 - 0.20% Transportation
 - 0.10% Public Safety
 - 1.65% Total

Scottsdale Specific Information

- Resident Information (Median Family of Three)
 - Income: \$72,102
 - Estimated Annual Amount Spent on Food For Home Consumption: \$5,406
 - Estimated Annual City Paid Tax on Food For Home Consumption: \$89

Scottsdale Specific Information (continued)

- **Business Information**
 - 177 business licenses in the food category
 - 38 business licenses in the convenience stores (with gas)
 - 26 business licenses in the major department stores
 - 4,969 business licenses in the miscellaneous retail category

Implementation Issues to Consider

- Present proposal, notify and seek feedback of Business Community
- Businesses would need to reprogram their sales systems to charge and account for the differential rate on food sales vs. 1.65% for all other sales
- Accurate reporting could be jeopardized
- City would need to reformat system and tax returns
- Ability to purchase preserve land and/or ability to pay debt service on existing preserve debt could be impacted
- MPC debt ratios could be impacted

Revenue Impact – 3 Year Phase Out

Food Tax	FY 2015/16	FY 2016/17	FY 2017/18
General Fund - 1.00%	(\$2,431,660)	(\$4,924,112)	(\$7,514,009)
Public Safety GF - 0.10%	(236,014)	(477,928)	(751,400)
Preservation - 0.20%	(472,027)	(955,856)	(1,502,799)
Preservation - 0.15%	(354,020)	(716,891)	(1,127,099)
Transportation - 0.20%	(472,027)	(955,856)	(1,502,799)
Total	(\$3,965,749)	(\$8,030,642)	(\$12,398,106)

10 Year History by Category (\$ in millions)

	Automotive	Construction	Food Stores	Hotel / Motel	Major Department Stores	Misc Retail Stores	Other Taxable Activity	Rentals	Restaurants / Bars	Utilities	License Fees, Penalties & Interest	Total for Categories
FY 04/05	24.6	28.7	9.7	7.2	12.0	22.8	9.1	17.0	10.7	6.2	2.0	150.1
FY 05/06	27.3	34.2	10.1	8.3	15.3	24.9	9.9	19.1	11.9	6.5	2.4	169.8
FY 06/07	26.8	35.3	10.3	9.2	16.9	26.4	10.0	20.6	12.8	6.9	3.0	178.2
FY 07/08	23.5	32.1	10.8	9.0	16.4	24.8	9.8	22.3	12.8	7.4	2.6	171.5
FY 08/09	15.8	22.2	10.4	7.2	14.5	19.7	10.2	20.5	11.4	7.3	2.6	141.8
FY 09/10	13.9	13.5	9.9	6.6	14.8	19.8	9.0	18.4	11.2	7.8	2.4	127.1
FY 10/11	14.5	12.7	10.2	6.9	14.6	21.2	9.2	19.2	12.0	6.9	2.2	129.7
FY 11/12	15.9	13.9	10.5	7.1	14.9	22.8	10.2	19.6	12.7	7.2	2.4	137.3
FY 12/13	18.0	14.7	10.6	7.4	15.1	23.6	11.3	20.7	13.2	7.2	2.2	144.1
FY 13/14	20.3	17.9	10.9	8.2	15.2	26.3	12.2	20.5	14.0	7.3	2.3	155.1
Minimum	13.9	12.7	9.7	6.6	12.0	19.7	9.0	17.0	10.7	6.2	2.0	127.1
Maximum	27.3	35.3	10.9	9.2	16.9	26.4	12.2	22.3	14.0	7.8	3.0	178.2
Difference	13.4	22.6	1.2	2.6	4.9	6.7	3.2	5.3	3.3	1.6	1.0	51.1

Note: Rounding differences may occur.

10 Year History by Category

% of Total Collections

	Automotive	Construction	Food Stores	Hotel / Motel	Major Department Stores	Misc Retail Stores	Other Taxable Activity	Rentals	Restaurants / Bars	Utilities	License Fees, Penalties & Interest	Total for Categories
FY 04/05	16%	19%	6%	5%	8%	15%	6%	11%	7%	4%	1%	100%
FY 05/06	16%	20%	6%	5%	9%	15%	6%	11%	7%	4%	1%	100%
FY 06/07	15%	20%	6%	5%	9%	15%	6%	12%	7%	4%	2%	100%
FY 07/08	14%	19%	6%	5%	10%	14%	6%	13%	7%	4%	2%	100%
FY 08/09	11%	16%	7%	5%	10%	14%	7%	14%	8%	5%	2%	100%
FY 09/10	11%	11%	8%	5%	12%	16%	7%	14%	9%	6%	2%	100%
FY 10/11	11%	10%	8%	5%	11%	16%	7%	15%	9%	5%	2%	100%
FY 11/12	12%	10%	8%	5%	11%	17%	7%	14%	9%	5%	2%	100%
FY 12/13	12%	10%	7%	5%	10%	16%	8%	14%	9%	5%	2%	100%
FY 13/14	13%	12%	7%	5%	10%	17%	8%	13%	9%	5%	1%	100%