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CALL TO ORDER

[Time: 00:00:03]

Mayor Lane: Call to order the January 19, 2016 City Council Work Study Session. And we will start with a roll call please.

ROLL CALL

[Time: 00:00:11]

City Clerk Carolyn Jagger: Mayor Jim Lane

Mayor Lane: Present

City Clerk Carolyn Jagger: Vice Mayor David Smith

Vice Mayor Smith: Present

City Clerk Carolyn Jagger: Councilmembers Suzanne Klapp

Councilwoman Klapp: Here

City Clerk Carolyn Jagger: Virginia Korte

Councilmember Korte: Here

City Clerk Carolyn Jagger: Kathy Littlefield

Councilwoman Littlefield: Here

City Clerk Carolyn Jagger: Linda Milhaven

Councilwoman Milhaven: Here

City Clerk Carolyn Jagger: And Guy Phillips

Councilman Phillips: Here

City Clerk Carolyn Jagger: Acting City Manager Brian Biesemeyer

Acting City Brian Biesemeyer: Present

City Clerk Carolyn Jagger: City Attorney Bruce Washburn

City Attorney Bruce Washburn: Here

City Clerk Carolyn Jagger: City Treasurer Jeff Nichols

City Treasurer Jeff Nichols: Here

City Clerk Carolyn Jagger: City Auditor Sharron Walker

City Auditor Sharron Walker: Here

City Clerk Carolyn Jagger: And the clerk is present

[Time: 00:00:33]

Mayor Lane: Very good, thank you very much. The work study sessions provide us with a less formal setting so that we can have those discussions between the council and the staff to discuss very specific topics at length with each other and with the staff. Work study sessions provide an opportunity for staff to receive direction from the council and for the public to observe these discussions. There are no specific actions that are voted upon other than just a guidance in an area of things that we will be discussing.

So they are not action items even though these are specifically conversations between staff and the

council, we do provide a limited ability for the public to comment on it. I don't see that we have any public comment but I will mention this in any case because it is a procedure that's unique only to work study sessions. And that is to provide an opportunity for public input, maximum amount of time for us to focus between the Council's conversation with the staff. We allow for a total of fifteen minutes, up to five individuals. There is no sharing of time or donated time. That is the maximum that we allow. And it is only one time at the beginning of the session. You do also have an opportunity to, the public has an opportunity to give us a written suggestions on the yellow cards that are available at the Clerk's desk there that we will see during the course of the proceedings.

ITEM 1 – FISCAL YEAR 2016/17 PROJECTED CAPITAL IMPROVEMENT PLAN

[Time: 00:02:10]

Mayor Lane: So our one and only item we have on this, well actually that's not exactly true, we have two items. But our first item is our fiscal year 2016/17 projected capital improvement plan. Presentation, discussion, and possible direction to staff regarding the fiscal year 2016/17 projected capital improvement plan. We have here before us and already in a comfortable position in the chair Dan Worth, our public works director and I presume maybe Judy Doyle, the budget director will be able to follow up on this issue.

So with that, thank you very much. We'll let Brian escape the confines. So with that, Mr. Worth, if you would be so kind. Welcome and --

Public Works Director Dan Worth: Good afternoon, mayor, members of council. Just to refresh your memory, you voted in November, November 10th to agendize the city's capital program, including spending plans and maintenance of capital assets, future capital needs and sources of available funding and any gap between needs and funding and alternatives for closing that gap that is the entire motion that you voted on November and this presentation is as a result of that direction to staff.

What I'm going to do is essentially combine two different presentations that we generally give you every year as we go through the budget process for the past few years we started out the year and actually, I'll get unorthodox right out of the box and skip over the first eight slides and go to slide 9, if I can figure out how to do that. There's a timeline on slide 9 that I want to direct your attention to. I skipped past it. Two different presentations that we usually give in January, we give a presentation on the key issues and the parameters around the development of the C.I.P. budget process. Which certainly falls in line with the direction that you gave in November. You want to know what issues. And then we usually come back in March and give you the city manager's recommended C.I.P.

What we have done and what we have done on the time line is we accelerated our internal staff review process, and the first couple of steps in December and January are the steps we normally take. It's leadership, first technical experts and then the directors, the major departments in the city, reviewing the capital projects presenting a prioritized recommendation to the city manager and then ultimately the city manager creates his proposed city manager's C.I. P. budget out of that process. We accelerated that a little bit. We had the discussion with the city manager a couple of weeks ago,

and you will see halfway down the slide, January through March, city manager finalizes recommendations. We have gone through part of that process. The city manager has looked at it.

We developed a first cut at a proposed C.I.P. that we will be using as the basis of discussion today and, of course, we will take your comments, direction and input, before we come back with the proposed C.I.P. budget in March when we normally do and I just wanted to kind of clarify that. This is upper -- or going in assumptions and some of that prioritization that the staff has already done.

Go back to the beginning of the presentation. These are slides that we normally show when we go through the parameters developing the budget. You have seen this before, the net capital assets by type and I'm only showing the ones that are paid for out of the general government funding. I'm not addressing the enterprise funds. The enterprise funds are obviously an important part of our C.I. P. budget.

With the discussion today, I want to focus on the general fund and the transportation fund, those two funds largely sensitive to sales tax revenue and which we have the greatest shortfalls in right now. You can see that it's basically the right-hand half of that pie chart that are those assets, streets and storm drains, \$1.2 billion worth of infrastructure, and buildings and land improvements. So all told, about \$1.6 billion of infrastructure. The slides that I will show you in a few minutes, it shows first cut at our proposed C.I.P. This is a summary of those slides. It shows the enterprise. It shows the Preserve, but it shows in the upper right corner, the transportation sales tax and regional sales tax fund \$75 million for transportation projects, and the money available for general fund projects is that \$22 million general fund slice and then if you look in the 3:00 position, on the chart, a couple of segments for general obligation bonds, still some funding left over from 2000 and the funding that the voters approved on the two questions passed in November of last year. Those generally go sense those same projects that the transportation sales tax and the general fund pay for. So most of the C.I.P. that we have projected in the budget to spend on those general government assets that I showed you in the previous slide is in the upper right quarter of this chart. This is just to give you an idea of what the anticipated expenditures are this year.

These are all projects that are in the approved C.I.P. We have done work, awarded contracts and in some cases we spent the predominant share of the money, but this is what we still have in the works, what we anticipate spending, our projected cash flow for this year, a couple of things I will point out, the number one item on that list, \$2.5 million, that's one of those keep the lights on projects. The facility maintenance is something that we fund every year. Generally provides funding for major capital equipment replacements and roof replacements that have to be done to prolong the life of our buildings. This is something we program out five years and beyond and we have in a map that we put into the C.I.P. each of the five years of the C.I.P. It's basically reinvesting in existing buildings.

The second item on the chart, the second biggest projected expense this year is the same thing for I.T. infrastructure, for our server infrastructure. So not a lot of spending on new construction, on construction of new facilities. The biggest items of anticipated expenditure are on just taking care of stuff that we already have and continuing to extend its useful life.

Other things that you see on this chart, the next couple of items, \$800,000 anticipated spending, flood control. That's a study in preliminary design, pursuant to a possible future capital project which is not yet in the C.I.P., just the study phases. Granite Reef water shed. That project is in the C.I.P. It uses a lot of other people's money. It's currently funded for about \$50 million. That number will go down, as a result of the study that we are doing, but the split between different entities will remain the same. It will be half funded by the county flood control district, and then 30% funded, 60% of the remainder after the county flood control district, will be funded by the Salt River Pima community. That is in the C.I.P. We are continuing to expend money on design and possibly some implementation this year. Question?

[Time: 00:10:39]

Mayor Lane: Yes, go ahead, councilman.

Councilman Phillips: Thank you, mayor. At the beginning facility repair and maintenance, \$2.5 million, you said that's -- you put that in every year. That's ongoing maintenance. I remember before when we had a problem with the downtown garages and we did a continued of \$2.5 million to do that. So why wouldn't that be in this? And is there also a level to what needs to be repaired before you are going to not use this and go to contingency instead? And then also does this, if not used, carry over to the next year?

Public Works Director Dan Worth: Three different questions. And the first one, the things that we program in this \$2.5 million are anticipated life cycle replacements, when a chiller is projected to reach its maximum life cycle, we are monitoring it to see if we can extend it. We program them five years out. Major pieces of air conditioning equipment, roofs, some power generation, backup generation, things like that, get programmed five years out. This is not for emergency repairs. This is for stuff we repair.

Councilman Phillips: It wasn't emergency repairs. That was an ongoing problem that we waited until it became an emergency repair. So I would assume -- and I didn't want to get into that conversation. I would assume the garage was a maintenance repair, just like a chiller or anything else. You know there's a time life to it.

Public Works Director Dan Worth: We do not project a capital expenditure for the garages based on anticipated life cycle. We do maintain those garages. We do do periodic maintenance to include inspection and at the time -- at the -- and we are not budgeting that periodic maintenance in the capital program. We are budgeting that in the operating program. But the inspection yielded the determination that we had some serious problems that we didn't anticipate, and the money that we used in the capital program was contingency money. We asked you for a separate contingency authorization mid-year, that's what we used to do the repairs to the two garages.

Councilman Phillips: So it's in another budget. The other question about -- does it carry over or is this the same \$2.5 million every year if you never use it or how does that work?

Public Works Director Dan Worth: It's capital budget, unspent capital budget does carry over. We generally spend all of this money, if not within the current budget year very shortly into the following budget year. Because it's projected and because we can plan the necessary design and the contracting get the work done according to the fiscal year timelines required to and if we don't get a project completed by the end of fiscal year, we are allowed to complete the project but every year, and you will see the chart in one of the upcoming slides, it shows how much we budget each year, the five-year plan, that is a new amount each year. We do expend that total amount and I.T. does the same on its server infrastructure project, they expend that total amount each budget year and budget a different amount for each of the five years of the five-year plan.

Councilman Phillips: Okay. Thank you.

[Time: 01:13:59]

Mayor Lane: Mr. Worth, on the item of the granite reef water shed, that \$700,000, is that a part of a new study or is this part of a contribution into that -- those -- those accumulation of funds from various sources to facilitate the continuing of that floodplain?

Public Works Director Dan Worth: Mayor, this is again, actual projected cash flow. Actual spending. We spent many money on the right-of-way, some initial studies and design -- design work for what we are calling a phase one. We are taking advantage of infrastructure storm water at the top end of the granite reef watch drainage area. Enlarging some catch basins, adding capacity to some existing infrastructure to reduce the amount of water that comes flowing down the main part of the wash channel. We're continuing to design. We anticipate doing construction on those phase one improvements, probably within a year. But this is largely design work.

Mayor Lane: Obviously, the program has changed with the rerouting of some of that drainage water coming that direction down to the Indian bend wash and over that direction.

Public Works Director Dan Worth: Correct.

Mayor Lane: With some retention areas that will reduce or cost, and you alluded to that, and further to that, you also mentioned the fact that in view of some more recent situations with regard to heavy rains and flow of water, that we are reassessing some of that design or -- and so are we redesigning or are we looking at that as to whether that's valid information on a one-time basis that we will modify our plans in this regard? And if that's the case, those thousand or so homes that are in the floodplain, will they -- the time that they will remain in the floodplain, will that be extended or do we think we are closer to a solution.

Public Works Director Dan Worth: Mayor, the -- our ability to reduce the scope and the cost of this project basically comes from two different things, one is taking advantage of some of those existing opportunities and you mentioned both of them, the major character or the major types of facilities, adding to capacity of some of those existing storm drains and putting in some detention basins which you approved the acquisition of land for two of those basins over the last year.

The other thing that has allowed us to reduce the scope of that project is updating the model and that alludes to some of the recent rain events but really, it's more technical than that. We have better modeling capabilities that we are using to get a better idea and more refined idea of what the actual flows are going to be that we expect from 100-year event, and the combination of those two things is what we are doing the design on to figure out what that downsized project is going to be. The ultimate result is still intended to remove the floodplain designation from all the houses that are at granite reef watch, south of Thomas basically.

Mayor Lane: But basically right now, prior to any detailed study of it, anecdotally, we are looking at the idea that this will be reduced somehow or another, this effort, of drainage will be somehow reduced by virtue of some new information as it relates to actual rainfall and the drainage in the area?

Public Works Director Dan Worth: Yes, mayor, that's correct.

Mayor Lane: Okay. Thank you.

[Time: 00:17:40]

Public Works Director Dan Worth: The next slide, as I mentioned, this is the slide that I just referred to that shows over the five years, current C.I.P. -- and this is our initial projected C.I.P. with some changes from the existing -- the changes are marked with an asterisk, next to the project name, and I want to go through them in some specificity, and the first one, actually, doesn't have an asterisk, the fire stations. These are fire station projects that were, in fact, approved by the citizens and by the election last November, although there are some costs associated with those projects that have to be paid for with general funds that are ineligible for using the bond proceeds to pay for them. The bond proceeds will pay for the bulk of the design and the construction of those projects, but we had to budget a general fund amount to cover those other expenses that aren't eligible.

First project that shows up this with an asterisk --

[Time: 01:18:50]

Mayor Lane: Yeah, I'm sorry. Go ahead Vice Mayor.

Vice Mayor Smith: Could you explain again what we're spending on the fire stations here? What this \$800,000 is and why it's not covered by the bonds? I didn't follow you.

Public Works Director Dan Worth: I think I might need to defer to our budget office on that.

Senior Budget Analyst/CIP Coordinator Sylvia Dlott: These expenditures are -- sorry. The expenditures are what we call the C.I.P. allocations and so they are basically administrative costs for completing a project. The other part of the -- that general fund budget are some of the land purchase funding that was approved earlier and some other money from design that has not been fully

spent, all coming from general fund. Those three items.

Mayor Lane: I'm sorry. Does that answer your question, Vice Mayor? Because I had a question on that.

Vice Mayor Smith: Go ahead.

Mayor Lane: My question was that I thought within the bond structure, that there was a percentage for administrative costs that was included with any of the items that were on the questions.

Public Works Director Dan Worth: Mayor, there's some administrative costs that we do fund as part of the project that are capitalizable, those costs would include the administration and overhead of our capital projects management division they are chargeable to the project as capitalizable expenses, generally salary allocation across other areas of the city budget, like Sylvia's time or the time other people in the treasurer's office that work on the capital program, we distribute some of those costs to the capital program, but they are not eligible for bond funding.

Mayor Lane: Okay, thank you very much. Vice Mayor, did you want to continue on that?

Vice Mayor Smith: I guess I understand that these are not chargeable to the bond fund. I'm sure most citizens thought that they were voting to build the fire stations and all the costs thereto. So is that true of every capital project that might have been approved by the voters that there was a portion of it which cannot be bonded and must be paid for out of the general fund or the transportation fund?

Senior Budget Analyst/CIP Coordinator Sylvia Dlott: Yes, that's correct.

[Time: 00:21:37]

Mayor Lane: Yes, Councilmember Korte.

Councilmember Korte: Thank you, mayor. Moving on to the Granite Reef water shed, \$6.3 million, exactly what is that \$6.3 million for?

Public Works Director Dan Worth: There was a -- well, previous budget approvals included \$7 million in general fund funding for this project and that's when we envisioned a project of upwards of \$40 million. It also has some funding from bond 2000. This should be just a general fund funding of which portions have been spent. So we are only showing the unspent budgeted portion that carries forward.

Councilmember Korte: And what I remember of that project, there is significant public concern around particularly the residents living up there. Is staff working with the residents on this project?

Public Works Director Dan Worth: Absolutely! One of the things that we're doing, residents, a

number of residents have actually gone through the process to get FEMA review, temporary letters of map provision to help them with the flood insurance process and we're certainly working with some of the residents in the area to let them know what that process is and that it's there. And as we continue to go through the design, we start getting into some of the impacts to the local neighborhoods of construction, we will be doing open houses and working with the neighbors to ensure that we are well aware of what we are doing. We have gotten several -- many -- many people have come to us with input of where the flooding happens when the water does come down that wash and as the mayor alluded, to we had some recent events and we have taken advantage of those, you know, the modeling can only go so far when the rain actually comes flowing down the wash. We get a better idea of what's happening in some cases and we have been going out and walking the ground with some of those residents and businesses to take that into account as well.

Councilmember Korte: Thank you.

Mayor Lane: All right, Councilman Phillips if you don't mind, I will take a little license. We do have one request to speak on this subject, and in a little bit late, but Mr. Craig Jackson, if you would like to come forward and speak to this. I presume it's on item one?

Councilman Phillips: Sure.

Mayor Lane: I will tell you what to do, if you can get to the clerk's desk, you can distribute that to us. You can move to the podium.

[Time: 00:24:24]

Craig Jackson: Thank you, mayor. I know you guys will go through all the budgeting here and the tent is one of the issues. In the letter -- I don't know if you have read our letter today or good guys, we have a couple of issues and I think it's good timing right now. So if councilmembers could actually go out to WestWorld when the tents are full and actually see what the facility has used when we are there and everything is full. We have roughly -- I don't know, it's on the sheet, 371,000 square feet in the one tent using the city tent. We are sold out this year and a waiting list. So we are trying to deal with -- if the city tent goes away, what do we do to replace it and when? And we have also given you some drawings that show what's going to have to happen to try to realign the tent and we're dealing with issues of timing as to when enough rental tent will be available.

Because the recession, there's been some issues with the tent companies not wanting to buy a lot more inventory, and I use a lot of the 165 wide that is available right now. We have looked at options of possibly sistering two tents together to get the square footage but the site will need quite a bit of renovation if the city tent comes down. I'm not opposed to if it comes down, if the city can get their \$1 million, \$1.5 million out of it, then it finds money to put back into the site restoration. But I think that there's a timing issue, as we put in our letter, the tent skins have a few years of life left to them. I understand the residents up in D.C. ranch would like to see it come down.

I think there are some things we can do to mitigate the look of the tent but I think that we need to

look at it rationally from the budget standpoint, what will just taking it down and scrapping it, if you do not get a good bid on it and what is the money going to be to renovate it. And also working with the renters, how do we replace it? The Good Guys, we have been talking with them also. And you also have a lot more shows that are moving in, that have talked to us about what are the opportunities of leaving our tents up for a little longer so that they could utilize those. So I just think this takes a little more talking. And we have been having good conversations with Dan worth about what is it going to take to change that area if and when the tent comes down.

I would just ask that we not make any rash decisions that we try to look at it, as I really think we are all partners in this out at WestWorld. What is better for the long term? And what does not hurt the budget or hurt one of your signature events that uses it, and the good guys. So that's it. Thank you.

Mayor Lane: Thank you, Mr. Jackson. Okay. Sorry for that interruption and some of the direct questioning on the items we had in front ever us, Mr. Worth, and to start with -- back with Councilman Phillips and then councilwoman Littlefield.

[Time: 00:27:51]

Councilman Phillips: Thank you, mayor. Did councilwoman Littlefield, did you want to go first? I know you were first, before we?

Councilwoman Littlefield: Okay. Thank you. Thank you. I just had a question with the Granite Reef water shed budget. I note we have 6.3 here, which you said is the unspent budgeted portion of this, and then you mentioned a cost for the total thing for doing the entire granite reef watershed project. Can you tell me again what that cost was for the whole project?

Public Works Director Dan Worth: The Granite Reef watershed project is in the current C.I.P. with a total cost of just over \$51 million. And we're showing that as \$23.7 million from the flood control district, \$15 million from the Salt River Pima community, \$7 million general fund, and \$5.3 million of proceeds from the last previous successful bond election in 2000. Out of that amount, we have spent \$1.8 million. A lot of that is the bond proceeds but about \$700,000 of it was from the general fund money that's allocated as project. So that's why \$7 million minus the \$700,000 that we spent yields the number that you see on the slide up here, \$6.3 million of remaining general fund funding.

Councilwoman Littlefield: Okay. So that's all the general fund C.I.P. funding that will be required to finish this project?

Public Works Director Dan Worth: I anticipate, and that's depending on the outcome of the studies and carrying forward the cost sharing agreement that we have with both the community and the flood control district, but we expect that all to happen. I anticipate us actually spending less than the \$7 million.

Councilwoman Littlefield: Okay. And I did have a question on the fire stations also. I hate to go backwards but if you don't mind answering. I understand that we had some previous administrative

costs but I had thought that the land was purchased already for the stations.

Public Works Director Dan Worth: The land is purchased for fire station 613, which is on the Jomax Road alignment, and station 616, which is in the Desert Mountain area. Cave Creek Road. The land has not been purchased for fire station 603 which is a proposed relocation of the fire station that's on McDonald.

Councilwoman Littlefield: Okay. Thank you.

[Time: 00:30:33]

Mayor Lane: Thank you, councilwoman. Councilman Phillips and then Councilwoman Milhaven.

Councilman Phillips: Thank you, mayor, and I guess back to the WestWorld tent removal. That's when I saw as one of the new project or significant change asterisk. I think we will get to that and so I might be premature in this but, you know, you have 700,000 to remove it. If that doesn't happen then there might be some other costs involved, then it's not part of this budget.

Public Works Director Dan Worth: Mayor, Councilman Phillips, this chart that you are looking at is not the current budget, this is first cut at what we think it might be.

Councilman Phillips: Oh, okay.

Public Works Director Dan Worth: And whether that project for WestWorld is in the budget or whether something else with a different amount is in the budget or whether nothing all together is in the budget is going to be based on the direction --

Councilman Phillips: That's a good point to make that this is a preliminary budget and it doesn't necessarily have to be this, depending on what things can happen in the future and what we talk about. All right. Well, thank you for that.

Mayor Lane: Thank you, Councilman Phillips. Councilwoman Milhaven.

Councilwoman Milhaven: Thank you, mayor. Mr. Worth when I go back to the work papers when we were doing the capital plan for the current year, it shows the granite reef watershed was \$5 million in year '15/16, you are reporting that we spent a great deal less than that, but then the five-year extension did not have any projection for that. I'm wondering how that has gone up from the last year when we did the capital budget. I'm looking at this.

Public Works Director Dan Worth: Is that's last year's projected five-year budget?

Councilwoman Milhaven: Yep.

Public Works Director Dan Worth: The price tag hasn't gone up. Without being able to see what

you're referring to, I'm not exactly sure what's happened. We spent money. A lot of it has been bond proceeds to acquire two basins or land for two basins. So -- and that may have been, if you were looking at projected cash flow, projected capital expenditures from last year that is most likely what we were projecting. We have made those purchases. We are proceeding with the design. We don't anticipate having construction contracts awarded the remainder of this year. There's only six months left in the fiscal year. So that's why that number that we on a previous slide, the anticipated spending is fairly low, but the \$7 million total general fund minus what we spent today should be consistent with what we had last year.

Councilwoman Milhaven: Maybe you and I can sit down and you can explain.

Public Works Director Dan Worth: I certainly would be happy to do that.

Councilwoman Milhaven: Thank you.

Mayor Lane: Thank you, councilwoman. Mr. Worth, if you want to continue.

[Time: 00:33:38]

Public Works Director Dan Worth: I will proceed with the asterisks, the changes, first actual asterisk is the aquatics chemical system replacement. This is the one and only project that we feel we may be able to include in the C.I.P. that came out of the questions that the voters did not approve in November. The reason that this comes to the top of the prioritization list, when the staff and the manager viewed the capital feeds, it's a operating cost reduction, it's a safety issue. This replaces the gas chlorine system with a much safer system at each of our four pools. You can see we have it spread out over three years.

And before I go any further, I will point out just the way this chart works, you are seeing the budgeted amount in each of the five years of the five-year plan, and then there's a row of numbers at the bottom that you are not going to be able to get by adding or subtracting the numbers up above it. They are based on our projected cash flow against three budgeted amounts. But the numbers down at the bottom are cash on hand at the end of the year, and this is the same as what we have shown in previous years. You can see we have cash on hand this year. You can see revenue that comes into the C.I.P., up at the top of the chart. And you can see that cash on hand at the end of the year slowly dwindling down. It stays positive.

We are not presenting something here where we run out of money. But we are presenting something here where we squeeze in as much as we can without running out of money. So with that we could squeeze the aquatics process, from the bond list that failed.

[Time: 00:35:32]

Mayor Lane: If we might, I will jump back just a second to ask about the extent of the money that's indicated, the \$400,000 for SkySong and for the equestrian center. Anything of quick explanation on

that?

Public Works Director Dan Worth: Mayor the \$400,000 for SkySong is -- actually, I think it's -- yeah -- I didn't put lines on my chart. It's hard to see which numbers go to which, but the \$400,000 for SkySong will be the public art that still remains a commitment, although we haven't determined what now is going to be spent. We still need to rebudget it. The Tony Nelssen Equestrian Center, that's to meet the city's obligation to rough in the utilities for the kitchens that are not yet built. The contract we have with the current operator for the Tony Nelssen equestrian center obligates them to outfit five kitchen centers, one has been completed and we cannot do what the city is obligated to do to put the utilities through the wall in the right places until they finalize their design. They are going through that process now to get the finalized design and permits from the plan review group. And once we do that, we will extend the last portion of that to the Tony Nelssen equestrian project.

Mayor Lane: Is the timetable for the completion of those other kitchen areas, is that this year, this fiscal year coming up?

Public Works Director Dan Worth: That this is year, yes, mayor.

[Time: 00:37:05]

Mayor Lane: Okay. Thank you. Vice Mayor?

Vice Mayor Smith: Thank you, mayor. You talked about the total five-year outlook. I'm not sure I understand the schedule. In a particular year, for example, 1718, you have got 3.7 million of new money coming in and 6.8 million going out. That would suggest that you are spending \$3.1 million more than you are bringing in, but the cash balance goes down by 7 million. What am I missing here on the math?

Public Works Director Dan Worth: Councilman Smith, that is because we generally do not spend the full budgeted amount on all of our projects. We take the budgeted amount year by year, and we apply some historical spending patterns and estimate project by project what the actual cash flow is going to be for each of those projects and that's what we add up and that's what I referred to a moment ago. You don't see those numbers on this chart. We just show you the bottom line in that row at the bottom in yellow. But out of that \$6.8 million, we are going to spend something less than that. You know, there are projects where we do design work one year and we don't spend the bulk of the money until we build it the following year, those sorts of things, delay some of those expenditures.

Vice Mayor Smith: And I think I understand all of, that but it's just the schedule doesn't fit. And I thought intuitively it would. But you are saying there should be a line here called other that's something -- I mean, this doesn't add down. Is that intentional?

Public Works Director Dan Worth: It is -- it is intentional. You are looking at the budgeted amounts

and the numbers in white, which if you sum them at the bottom, they sum to that 6.8, that's how much we have programmed to add to the general fund C.I.P. budget in fiscal year 2017/18, but we are also anticipating that we spend manage less than that, so you take the previous year's cash on hand and you add the revenue. You subtract out the expenditures and you are going to get a number at the bottom for the balance the second year.

Vice Mayor Smith: I hear what you are saying but if I take the cash on balance at the end of '16/17, it's \$14.7 million. If I add new money to it of \$3.7 million then I'm at 1.4, and if I take that 18.4, and then spend 6.8 out of it, I should have something on the order of \$11.5 million.

Public Works Director Dan Worth: You are also going to spend those. As that are budgeted in this year in the previous years that we didn't fully expend in the first budget year. The first budget year you have \$17 million worth of budget authority. We won't spend all of that. Some of that will roll over. That's what we are projecting when we do that cash flow projection. The fiscal year '17/18 is new budget authorizations that we're adding to the existing budget authorizations but we are always going to have existing budget authorizations that roll over from the previous year as well.

Vice Mayor Smith: It might have -- just as a matter of comment, it might have been clearer if we had something, you know, a line of other or previous balance, something so that the work sheet put it. It's a little confusing the way it is to see where the money is going.

[Time: 00:40:31]

Mayor Lane: You know, I guess -- we have a couple of others, three waiting to question it, but on -- specifically on this, I don't know if it's a matter of presentation or misunderstanding, if we've got an expenditure budget of \$17.1 million, you are talking about some of that not being spent in the current year, right?

Public Works Director Dan Worth: Mayor, that's correct.

Mayor Lane: But if we just use this chart here, we are indicating we have expended \$17.1 million to come down to the \$14.7 million. That would be the beginning number at the top. Whether we actually spent it in year or not, this is a cash flow. This is a budget. And then if we take that second column of '17/18 and add the 3.7 as the vice payer was talking about it and reduce the 6.8, you would end up somewhere closer to 12, that's how I would read it, I'm thinking too.

So I don't know if it's presentation, but if we were talking about cash flow, what your comment was with regard to the fact that some unpaid balance would then be paid in the next year would be one thing, but we're looking at budgeted amounts of expenditures. So I'm not sure the way this is presented that I'm looking at that 7.9 as the total number carried forward on a budget basis, but it may be something we want to look at a little harder, not just presentation. But I will leave it go at that for right now if that's all right.

Yes, I think Councilwoman Klapp was next.

[Time: 00:42:02]

Councilwoman Klapp: Related to the aquatics chemical system replacement, you said there's 800 -- no, there's 3.5 million, I guess, total, for the three years. How much are we saving by switching over to the new chemicals?

Public Works Director Dan Worth: I would have to look at the detail in the budget. Perhaps I can have one of the staff behind me look that up and not --

Councilwoman Klapp: Yes, they can look it up and bring it back after they find it. We can proceed. I'm just curious because I know in some instances in other cases we have some potential savings as well that applied to some of these expenditures. I'm just curious about that one.

Mayor Lane: Thank you, councilwoman. I believe Councilwoman Milhaven is next.

Councilwoman Milhaven: Thank you, mayor. I want to follow on. I completely agree with you. I think there's an opportunity to present this information in a much more understandable way. If I go back to a five-year capital budget, from last year's budget process and I can't match stuff up, that causes some concern. I also understand, right, there's a difference between accrual and cash accounting. And so, you know, sort of you approve a capital project, you have the authorization, but it's impacting cash here. I think it would be helpful to say, here's previous -- you know, here's the beginning balance, which by the way doesn't match, and my page here says we approved \$16 million in capital to be spent in '15/16, but your chart says we only spent nine.

To the mayor's point about how we present the information, I think it's important to say here are previous projects that are not finished yet and the impact of cash in the current year and potentially over several years because we know several projects are over years. If I see Granite Reef watershed and, it, in fact, reflects the five years. And then the other is, you know, with the aquatics -- I will use the aquatics chemical system as an example, if the cost of the replacement is going to be offset by operating savings then we should never have put that in the bond package, but I think that, right, we have ongoing capital. We need to show what our ongoing capital program is.

I know we use surpluses from a previous year to pay for some projects and so if we come back and say, gee, we had a surplus last year and so even if that bond question had been approved, we wouldn't have sold the bonds. We would use the surplus to pay for it. We just didn't want to rely on the surplus, and I think we need to hook at what was general fund, what we can fund from a previous year's surplus, and just simply to say, you know -- simply to say, you know, operating expenses doesn't cover the cost and if it did, we never should have put it back to the bond package.

I think we can do a much better job presenting the information so it's cheer to people what we are doing and where the money is coming from. Thank you.

[Time: 00:45:03]

Mayor Lane: Thank you, councilwoman. Councilwoman Littlefield.

Councilwoman Littlefield: Yes, I would just like to second, third or fourth whatever that spent. I think we need to make this a lot clearer and tidier as to where we are coming from. What we have, where it's going. It doesn't add up and it's very confusing, I think not only to us here, who are fairly familiar with it, but for any citizen just looking at these numbers saying these people can't add. And I think that's something that we really need to work on.

Mayor Lane: Thank you, councilwoman. I just want to add to this, not to beat it to death, but nevertheless, I think one of the things on the aquatic chloritization -- how is it referred to, the aquatic chemical replacement, two elements that were important and whether or not there's a direct offset of savings, operationally over a series of years versus the capital expenditure to replace it. There are two things about, it one, any time we build in operational efficiencies, I think that's a good thing, even if there's a capital expenditure, it's not immediately recoverable through operations through years in this particular case, since our water treatment facilities have eliminated the kind of technology we were talking about replacing here, for reasons other than just efficiency but also safety, I think those are important components. So I certainly appreciate the fact that we are moving this forward, whether it's just cost savings or actually safety considerations as well, particularly at our pools.

So any other -- yes?

Public Works Director Dan Worth: Mayor, if I could. The projected operating cost savings per year, the pool project is about \$116,000. So against a \$3.5 million project, that puts a dent in it, but it would take about 30 years to recover the cost at that rate.

Mayor Lane: Yeah. Okay. Thank you, Mr. Worth. Go ahead and proceed then.

[Time: 00:47:05]

Public Works Director Dan Worth: After the aquatics center, there are a number of projects, facilities repair and maintenance, public safety, radio, if you look at all the asterisk, police and portable radio, crime lab equipment, two I.T. projects and a city cable project that are those multiyear recurring projects where we usually budget the fifth year, and these are to pay for anticipated life cycle replacements of major items that meet our capital spending definition, and you can see that the only change in the budgeted amount for all of those projects is adding that fifth year, adding our anticipated needs for fiscal year 2020 and '21.

Then the last two asterisks, the first one is city microwave radio project. This is a regulatory compliance issue. Our I.T. departments identified it early. We anticipate \$3 million of general fund. There's also some that will be paid for by some of our enterprise funds that utilize the same radio technology, but the general fund portion is \$3 million. We anticipate needing to spend that in fiscal year 2019 and '20. So we programmed that amount into that year.

And then the last item on here is that WestWorld tent project and I'm showing a \$700,000 project. I do have a slide where I will talk to you about the specifics involved in the decision of what we want to do with that tent and what the associated costs would be depending on what that decision is.

Mayor Lane: Well, let's go ahead and hold on the questions on that item then until we have that analysis, unless Councilwoman Littlefield, if you would like to chime in on it right this moment. Just on the tent issue, we will hold on that until we get that analysis. I'm interested to see if this is a net loss on the removal and what our operating loss is open an annual basis, whatever that final calculation was. I know it was presented to WestWorld subcommittee some time ago. You have an update on that, but with that, Councilwoman Littlefield.

[Time: 00:49:28]

Councilwoman Littlefield: I just wanted to ask on the I.T. items that are listed on this, is any of that part of what the bond package was for the I.T. technology?

Public Works Director Dan Worth: Councilwoman Littlefield, the answer is no. This is all stuff that we had in the C.I.P. that would make recurring annual investments in and it's not the items on the bond election.

Councilwoman Littlefield: Okay.

Mayor Lane: Okay. Very good. Thank you.

Public Works Director Dan Worth: And before I leave this slide, one other point that I want to make, if you take all of those five-year annual spending projects and add them all up, and just look at those projects, not the discreet projects like the microwave project or the aquatic center project, just those five-year funding projects you get total budgeted amounts that range from 4.5 to \$5.5 million each year of new budget authority that we are adding just to do those projects between 4.5 and \$5 million. If you take a look at the total revenue line, the dark blue line towards the top of the chart, that's what we anticipate having general fund revenue coming into the C.I.P. every year as a result of our financial policy. 25% of construction sales tax and any interest earnings over \$1 million, the current financial policy that you have adopted, that generates a number each year less than the 4.5 to \$5.5 million for those projects where we are just replacing or extending the life of existing infrastructure. So the money -- the minimum amount that we are taking in and putting into the general fund C.I.P. is not enough to meet those minimal requirements.

Mayor Lane: Yes, I'm sorry. Vice Mayor.

[Time: 00:51:24]

Vice Mayor Smith: Before you leave this slide, and maybe this is a question. That in excess of \$1 million is virtually tripling here from where we expected to be next year and I guess I'm interested in what's causing it, what we forecast as an interest rate assumption or whether we found did we win

the lottery are do we have large balances to invest and how did this get to such a large number?

Public Works Director Dan Worth: Other than being able to affirm that we haven't won the lottery, I can defer to the treasurer.

City Treasurer Jeff Nichols: Mr. Mayor, members of the council, that would be correct. We are seeing an uptick. We didn't win the lottery. We didn't win any pickets in Florida, Tennessee, no. It's the increase in interest earnings and we have our balances that we get to PFM who manages our assets and they are seeing an increase over the five years and it's not as great as I would like to see. Certainly, it's nowhere near the times when we used to earn 15 to \$20 million in interest earnings. We feel it's a modest increase, although it looks significant because we are starting from such a low point.

The other thing I would like to point out before we leave this slide is if you want to do the math related to this, the expected spend in each of the fiscal years starting in '16/17 and going to the right, in '16/17, we are expecting unless my math is wrong to spend approximately \$13 million and '17/18, out of the budgeted \$10.5 million, '18/19, \$3.4 million, '19/20, and if you add up the balance that we are starting, with the revenues coming in each year and the net spend, you will end one a cash balance over that five-year period of time. But you have to back into it. So I will work with Mr. Worth on this slide in the future to make it much more comprehensible but sometimes -- sometimes the forest gets lost in the trees. So you are welcome.

Vice Mayor Smith: As a closing comment, I would like to observe. It may be true of the interest earnings and I don't want to make this sheet any worse than it is, but the interest earnings in '16/17, apparently will be \$1.5 million, because 1 million day stays here and then the \$1.5 million in the next year becomes \$2.3 million and then \$2.5 million and I hope we are right. Experience that personally, but I hope we do enjoy that kind of interest earnings.

[Time: 00:54:21]

Mayor Lane: Thank you, Vice Mayor. Councilman Phillips.

Councilman Phillips: We are talking of closing comments, I think -- or I would like to see some kind of a new policy on this 25% construction sales tax because that was done back when construction sales tax was probably four times the amount it is now. And we need to either raise that up or find another revenue source for this.

Mayor Lane: Thank you, councilman. Any other comments then? Subtle.

Councilwoman Littlefield: I would agree with that. I think we need to find either another revenue source to put into this or raise that rate.

Mayor Lane: Thank you, councilwoman. Vice Mayor.

Vice Mayor Smith: If we are introducing the idea of finding other revenue sources, I would be curious to have a more robust discussion of that. I mean this illustrates the positivity of money that we have available for capital and to simply say I want to take more out of the general fund, I guess I would be curious as to what funds would be cut in the general fund or the idea that somehow we can manage the capital requirements of the city, using 25% of the construction sales tax and all the interest earnings over half million dollars and somehow this will take care of \$3.5 billion worth of assets is ludicrous, and if we want to talk about where we are going to get more money, I would love to have that discussion from the people who think it's possible.

Mayor Lane: Well, even though this is a study session and we are here to discuss the layout of the expenditures within the C.I. P., the budgeted and cash flow, we are also talking about forecasted numbers. But we're not here to make a policy decision as far as a change but I'm not sure that it's not worthy of a conversation if we choose to do that, which would be within the budget process, when we start talking about our budgeted revenue forecasts. Yes, go ahead.

Vice Mayor Smith: I thought Mr. Worth said at the preamble we were picking up on the November assignment given to staff, which included among other things discussing potential funding sources. Was that true?

Public Works Director Dan Smith: Vice Mayor that was included in the motion that council approved in November.

Mayor Lane: Well, then the conversation is open but not to necessarily a decision, but really for discussion purposes, which I think we are in the process of doing.

So if there's further comment with regard to an increase in the construction sales tax, as an added source of income by upping the percentage, I think that we may all want to weigh in on, that if it's some kind of -- if there's guidance to be given here.

I would take, Vice Mayor, if it's accurate that you are not necessarily aligned with the idea of increasing the construction sales tax because it would take away from the general fund?

Vice Mayor Smith: Well, that's true. To just say that we will take money out of the general fund and put it in here is -- is easy to say, but hard to accomplish, unless we have the companion discussion of what we are going to do to fill the gap in the general fund.

Mayor Lane: I understand. Okay. Well, Councilman Phillips?

Councilman Phillips: And what I have said before in the past and part of the policy decision is you take a portion, percentage of the unreserved fund balance to cover that.

Mayor Lane: And we have done that by prescription as far as the availability of funds.

Councilman Phillips: By prescription but not by policy.

Mayor Lane: Yes, and frankly this is a policy issue that we are talking about here. Councilwoman Littlefield has already weighed in on it. Anyone else have any other thought about whether or not this is a -- something we want to look towards a change in policy? Yes, Councilwoman Milhaven.

[Time: 00:58:29]

Councilwoman Milhaven: That's a pretty broad statement. This -- the -- the projects that the citizens said no to just should not happen, unless it's a matter of health and safety, and we have a surplus that we can use in lieu of -- we have -- right, because you can't budget anticipating a surplus but if we have a budget, it's prudent for us to invest that in capital, but beyond that, you know, what you have given us here, doesn't show us the projects that will not be funded. So I think we need -- you know, before we start saying how to we put more money in capital, I think we need to understand better what the projects are for which there are no funding.

What would you want to do? You know, what number are you looking for? And what are the projects that's included in that number? I think we need more information before we address this question.

Mayor Lane: I would agree, even though right now, we are only talking about guidance as to look at this issue. So I think that -- and I think that's a -- certainly a valid point because we're going to be weighing what needs to be sacrificed on an operational level to facilitate something that we prioritized on a capital level. That's definitely part of that discussion if it's to take place.

Councilwoman Klapp?

Councilwoman Klapp: Well, even if we took 100% of the construction sales tax, we are not going to fund the things that we need to fund. We just wouldn't cover our needs, and I guess the elephant in the room here is that the only other funding source is what we tried and that's to go out and ask for bonds to be passed in order to pay for capital projects. If we don't have that, we're kind of like in the middle of a rock and a hard place in some respects here of how much money we got and know that there are people that have been saying in the past that we have money in our general fund to pay for all of those projects which is pretty obvious looking at this we don't. And if you add on all of other things that we potentially need, we really don't. So you know, it seems that we are just going in circles here as far as how we are going find the money to pay for the capital projects.

Mayor Lane: Thank you, Councilwoman Klapp. Councilmember Korte.

Councilmember Korte: Thank you, mayor. Clearly discussion must include the operational cuts that we need to make to fund the critic -- need to make to fund the critical capital issues that we are facing and then we can make a better decision and I think that's important also with transparency for our citizens and the public to better understand the critical point that the city is in with capital funding and the failure of one and a half bond issues.

Mayor Lane: Thank you, Councilwoman. You know, I would say that in view of a number of things that are already significant pressure on the general fund, I think this is a very difficult area to contemplate and in spite of even frankly, high priority capital items we have committed to some fairly substantial set in place increases in pay for selected groups within the city. We are also looking at additional fees coming from State government. We are also faced with the project of a house build that would diminish -- house bill that would diminish our general fund by another \$6.5 million. There are some difficult things to confront. But we need to consider a lot of ditch things in bringing this forward to -- different things to bringing this forward to reduce general funds to fund any additional levels of capital projects.

I'm -- I would say that I'm not sure whether or not this is something I would want to tackle right now. But anyway, I don't know what the consensus is here. Well, if I were first, but I think it's necessary for us to somehow in the way of guidance, whether we are going to move forward in further discussions about this item or not and it sounds to me like there's a consensus to move forward in discussing it.

Yes, Councilman Phillips?

[Time: 01:02:58]

Councilman Phillips: And I don't know if what you are saying is move forward, there's this discussion right now, but obviously there needs to be another discussion, but if you want to talk about and go this route of, well, bond didn't pass and now what will we do? You know, maybe what we should do is go to zero based budgeting and go through each department and see if need that money. You can look at transportation and do they need \$30 million to build a bunch of roundabouts which is a social experiment and not really needed.

[Inaudible]

Councilman Phillips: If you add them up.

Mayor Lane: We are not here to discuss the budget items. We are here to talk about the forecasted revenues in the capital area and the forecasted capital budget expenditures. So we're not going further into policy, and yes, this would -- guidance to move this forward to further discussion would be discussion with potential action in a regular council meeting. Right now, we are only talking about whether or not we would like to have staff come forward with some of this additional information, frankly what the tradeoffs might be and even there the tradeoffs are the loss of -- let's just say we jumped as another 25% and there was another \$2.3 million or approximately if I understand this correctly, what we would have to -- where that would come from.

And the one thing I was trying to throw into the picture and it's not a matter of a panic issue but it's a matter of practicality in looking at some of the things the city is confronted with, additional costs that

will be upon us, whether it's additional fees, some \$2 million on the D. O. R. contribution, the potential for \$6 million loss on the apartment tax, if that is rescinded. I'm trying to think, there's at least a couple of others. Some are already built in, but we also have a commitment, a very sizable commitment to increase wages in a category that's going to raise -- at least a couple million dollars to boot.

So we are just going to have to figure, if we are going to pull \$2 million, \$2.3 million out, where is it going to come from? And where is it going to leave us? And we can't count on one-time money for some of these kinds of things. So I just caution whether we move forward to discuss it further, but if the consensus of the council is to move it forward for further discussion, I will certainly go with that.

Yes, Councilwoman Littlefield.

Councilwoman Littlefield: Yes, I wouldn't mind moving it forward for future discussion. I do have a couple of questions on it, a couple of these items, though. I question public art at SkySong for \$400,000, if that's as critical as some of these other items are. I don't have anything against public art at SkySong, but is that a particularly critical issue at this point, watching the balance go down to half a million dollars. \$400,000 could be fairly important going down the line here. So that's one thing I would question.

The other question I have here is about payroll system replacement. How urgent is it to do that in the next year? Could it be postponed for a year or two? Just a thought. And also the city cable audiovisual equipment, which have been postponed to the following year, but I don't know exactly how far that needs to go out either.

Public Works Director Dan Worth: Mayor, Councilwoman Littlefield, I think if we want to discuss the specifics. Budget and how far it can be pushed out, I think the city -- the city cable audio-video project, I would point out that if you push them out, the five-year picture remains the statement, if you defer them a year or two, it's still money that will be spent within a five-year C.I.P.

Mayor Lane: Thank you, Councilwoman Littlefield. Yes, Vice Mayor.

[Time: 01:07:16]

Vice Mayor Smith: I guess I would feel like I would like to frame the issue. I mean, we are looking at what you are going to spend. I think Councilwoman Milhaven raised the question it leaves in question, what is not on this list? What are we not doing, simply because we don't have money. If I may, I want to go back to one of your first slides, total assets we have \$3.5 billion. It may not be a question for you, perhaps it's a question for the treasurer. Has that number increased, decreased, stayed flat, whatever over the past few years and then whatever the answer, is I want to make a comment.

City Treasurer Jeff Nichols: Mr. Mayor, Vice Mayor Smith, members of the council, the past two fiscal years, the total debt assets has decreased in total, prior to that -- I believe that's the first two years

that that's happened. Prior to, that because of the bond program and the way funded C.I.P. with general fund transfers, normally, would you see that figure increases year over year.

Vice Mayor Smith: By how much did it decrease?

City Treasurer Jeff Nichols: In '13/14, it was \$152 million and '14/15, it was \$26.5 million.

Vice Mayor Smith: So \$175 million decrease, which may be first time city's history that that has happened. You can't look at assets that are wasting away at a rate of \$175 million in a two-year period of time, and then talk about how can I take a couple million dollars from one place or spend \$5 million -- I mean, we are -- we are talking chump change here compared to what the need is.

And if there's some -- I would say it again, if there's some magical funding formula, other than just stealing from the general fund, I think it's an appropriate discussion to have. I think we are on a collision course with a disaster here and we are pretending this is a legitimate exercise, looking at how we will spend a couple hundred thousands of dollars. It's a significant problem that doesn't have a solution, or we have not addressed a solution, I should say.

[Time: 01:09:43]

Mayor Lane: Thank you, Vice Mayor. Mr. Nichols on the net capital assets, a little over half of that is preserved land and non-preserved land, and I'm presuming that all that land is valued at cost, what we purchased versus any kind of market determination.

City Treasurer Jeff Nichols: Mr. Mayor, members of the council, that would be correct. We book it at cost and by the way, I know this slide says net capital assets would -- which would assume depreciation. We do not depreciate land. So they are looked at costs and they remain at costs for the life of their -- their lives on the book.

Mayor Lane: So that entire reduction that you are referring to, on what we have here is net capital assets is due to sale or depreciation, accumulated depreciation on this?

City Treasurer Jeff Nichols: Mr. Mayor, members of the council -- the net difference, it would be on motor vehicle and fleet maintenance, machinery and equipment, building and land improvements and streets and storm drains. The majority of our assets in the general fund are streets and storm drains. So the majority of the depreciation would be in that category, but it is depreciation, less the amount we have invested back into those assets.

Mayor Lane: But essentially if I were to use round numbers about \$1.8 billion and I know that's even a little high, because it's a little bit less than that, really, of depreciable assets is what has been reduced. There's no reduction on the net -- on the cost of land, preserve or otherwise land.

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

Mayor Lane: What about the sale of the non-preserve land? Is that part of the reduction of these assets?

City Treasurer Jeff Nichols: If, in fact, we sold non-preserve land recently. We have sold some land, the McKnight building for one, the human resource building for another, that land -- that reduction would -- if it occurred, well, let me see, because this is 3/6/2015. So anything would be included as a reduction.

Mayor Lane: Okay. But then there's some purchases the land as well but we don't know what the net effect of that might be. That would contribute to the reduction and the assets in this particular pie chart?

City Treasurer Jeff Nichols: That's correct, Mayor.

Mayor Lane: In total.

City Treasurer Jeff Nichols: In total.

Mayor Lane: Okay. Okay. Well, I realize maybe even some of the frustration that may be vented as far as what we are looking at as far as our capital requirements. Make it does require us to look at what our capital requirements are, and how we may end up funding that. But by talking about it from the standpoint of removing some additional funds from general fund, probably still is not a prescription toward responding to that question. Because we are talking about 2.3 million or some multiple ever that, you know, if we were to increase it to 100% as was pointed out. So, you know, it's worthy of a conversation when we go to how our projected revenues are concerned, how that will affect this particular item tonight, I think, for the most part, I think we are looking at what we're budgeted to spend. And, you know -- well, frankly, that's how I see it. So if there's a consensus to bring this forward, continue this conversation forward, then unless I see any objection to that, then let's go ahead and do that.

01:13:48]

Mayor Lane: The idea of how we might change the -- now, it started out as construction sales tax but we are also adding to that what is it that we are trying to -- that we need to cover from the standpoint of additional capital projects. Given your requests and understandably so of somewhat of a balanced look as to what is it that we are trading off between reducing general fund and operational needs to funding capital needs. I think that's a legitimate -- I think that summarizes what we are talking about.

Councilwoman Milhaven: Yes, this is part of the budget conversation. This is just the first of many conversations we are going to have in the course of the budget and I think that if -- to summarize sort of where I am, if we were being asked to approve this capital plan, I would be reluctant to do so because there are a lot of holes. I think we can give more transparency to the community around what we are already doing, what our policy is, how we are spending money, how surpluses are applied and I think I addressed some of that in my previous comments what has been authorized that will

impact our cash next year and what new projects. You said some are new and some are existing, demonstrating what we have done with surpluses from prior years reconciling to previous five-year projections, I think it will be helpful for people to see that we have an ongoing capital program, that we are investing general fund dollars to do that. We are investing surplus to do that, and what else is undone.

And then in terms of finding revenue source, interesting Councilman Phillips would say that we need to find a revenue source because I heard him say we have the money. At any rate, so -- yeah, I guess this just becomes part of the ongoing budget conversation.

[Time: 01:15:39]

Councilman Phillips: Can I respond to that?

Mayor Lane: Yes, go ahead councilman.

Councilman Phillips: And that's for the conversation and I'm in agreement with you that we should have this conversation. I don't want to throw a towel on this thing, without continuing on. I like this idea of going into the weeds and finding out where the money is going and do all the different departments, do they really need to spend as much money as they do. There is money out there. That's what I was talking about. It's just where is it and what are they doing with it? And what is the plan and is there a five-year plan of any department really necessary or is it a want over a need? So, yeah, let's have that discussion. I would love to hear about that.

Mayor Lane: Okay. So the way I look at this, what we have got right now is obviously, we have some prescription or prescribed methods of revenue streams into the C.I.P., from a funding side. And staff has given us a list of those items that match up to those numbers. That's what it comes down to. So if we change the funding mechanism, you would come up with something additional, and I think maybe if I were to put it simply, if we were to change some kind of revenue source open this, whether it's construction sales tax or there's something else that we are thinking about, what would be the next step? The next \$2.3 million, what would you add to that?

Public Works Director Dan Worth: Mayor, if I could respond to, that I apologize for not having a list of what went make the cut on this presentation but we can certainly provide that. The basic philosophy is we are looking for a way to fund those -- that \$5 million a year roughly of projects that are required to take care of existing assets, the five-year funding projects for facilities management and for I.T. That's our number one priority and then when we get beyond that, we are saying a look at all the rest of the identified capital needs and what has risen to the top of the list, was at the top of the list when we prioritized this year's starting position was those things that did not get funded by the citizens in the bond election a year ago. We decided those were the most important things for the city, for general fund capital expenditures. We asked the citizens to tax themselves to pay for those, with the exception of the fire stations and the paving, they chose not to.

Those needs are still priority needs as staff recommended, as you concurred with a year ago. So

that's sitting at the top of our list without the funding available for it.

Mayor Lane: Okay. All right. I guess -- I don't want to, again, sort of go on this too very much further but nevertheless, we're talking about what's the next list of items that would be on that priority list.

Public Works Director Dan Worth: Yes.

[Time: 01:18:32]

Mayor Lane: Yes, Councilwoman Littlefield.

Councilwoman Littlefield: Yes thank you. I would like to agree with you, Mr. Worth, that what we put on the bonds package that they were vital, and those not currently on the bond package being considered as top and foremost as needs that the city has. Thank you.

Mayor Lane: Thank you, Councilwoman Littlefield. Councilwoman Milhaven.

Councilwoman Milhaven: One clarification. I went through -- we went through the list of projects. We said we think these are the most important projects and the citizens said we don't want you to do those projects. So that would be it, right? So we just don't do the projects were we fund them with unanticipated surpluses. Are you suggesting Councilwoman Littlefield that we go to the next tier of projects?

Councilwoman Littlefield: No, I don't think what the citizens said is they don't want the projects. I think if you look at the bond election results, every single question was extremely close and was almost a 50/50 bond result. I think the fact that the turnout for the bond election was very low is part of the reason why some of these things didn't pass. I think these projects were not so much argued by the citizens as not necessary, as that they didn't want their property taxes increased at this time for them. But for various other reasons but I still think -- and I think this council agreed when we put the bond package together, that these are the most important things the city needs to do as far as capital improvements to the city. So those things we need to consider and look at and we shouldn't just say we are not going to do them. Thank you.

Mayor Lane: Thank you, Councilwoman Littlefield. Yes, Vice Mayor.

Vice Mayor Smith: Well, just maybe to offer a counter interpretation of the election results. I mean, it was a close election. I don't necessarily conclude from that that the people wanted the projects and just didn't want to pay for them. I conclude that they told us not to do the projects. We have had situations in the past where the voters have told us not to do something and we went ahead and did it. Sometimes to our chagrin. But I don't presume that the voters were wrong and therefore we should go ahead and do all of those projects. Besides which I don't -- you know, if you tried to do all of those with this bigger budget that we have, it doesn't make sense anyway. So --

Mayor Lane: All right. I think, you know, we have now gotten into some additional areas of interpretation. I think the guidance that we are talking about in this particular area, Dan, I hope that you have got at least a reasonable idea of outline of our concerns. And that we need for discussion purposes and possible action. All right. With that, I would ask that you continue on to the extent that --

[Time: 01:21:57]

Public Works Director Dan Worth: Well, the slide I'm showing now is the issues slide. Two issues, one of which we spent much of the last 15 minutes discussing. The second one is the one that I promised to get to, the WestWorld tent. And I created something that looks like a flow chart. But we have got a decision to make on the tent. We have got to decide whether we are going to keep it or not keep it.

I have identified some of the key factors as we forward and make that decision and identify what the impacts are of either removing the tent or not removing the tent. And if you look at the box on top, where it says remove tent with a question mark, some of the key factors and we discussed some of these at the WestWorld subcommittee two months ago, \$45,000 a year to maintain it. That's the cost for a contractor that we have that goes out every year and does an inspection, condition assessment, tightens up loose bolts and makes other associated repairs. The number that I gave at the WestWorld subcommittee for the second bullet for placing the fabric was about \$1 million based on our experience the last time we did it. We just had our annual maintenance inspection and assessment done, and the contractor who did the assessment said, well, we really ought to be looking at about \$1.3 million and not \$1 million and when you burden that with the capital -- the administrative costs of a capital project to procure the contract, administer the contract, it's reasonable to budget it that, if we are going to do that for \$1.5 million. I should have the number or date off the top of my head when we bought it. We are coming up on ten years. When we put the current covering on the tent, that was with a ten-year warranty, our consultant has assessed it and feels that we have probably got another three or maybe slightly more years left on that before we have to do it, but if we have to replace a tent, that's \$1.5 million.

If you want to look at what the annual cost is to have the tent, it's a combination of the two. The \$1.5 million divided by projected ten-year life and if you want to give it a 12-year life, you can probably support that, the number goes down. But \$1.5 million is \$150,000 a year. If you annualized that, \$40,000 of our cost to inspect it and fix things that gives you about a \$190,000 a year cost to have the tent. The number -- for booked revenue, \$190,000 a year to have the tent and you are going to offset that with the booked revenue. The number I show up here is the number that we talked about at the WestWorld subcommittee meeting two months ago. The numbers that I got today from Brian Dygert are slightly different. That included the Super Bowl and the month long haunted house that gated they are not coming back. The \$110,000 is basically Barrett Jackson, the two good guys shows and I think bike week brings you to about that number and Brian is here to address any questions we may have on the revenue. But just with those general numbers, about \$190,000 a year to have it and about \$110,000 booked revenue. We're operating at a deficit of about \$80,000, if we keep the tent.

And, of course, money is not only factor. There is a strong community desire that's been expressed, especially from D.C. ranch to have the tent removed. It's been consistent over time and, of course, you heard Mr. Jackson up here earlier today expressing the desire to keep it because it's obviously an important factor in their event every year.

But those are the factors I identified and then in you follow the arrows on the flow chart, if the answer to the question remove the tent is no, then you go down to that box we have to replace the fabric, \$1.5 million, that would translate into a capital project, \$1.5 million. And we would feel comfortable putting that in fiscal year '18/19, we would get another two or three years of use out of the existing fabric when we have to have that expense come due. But that's where we put it into the C. I.P. if the decision is to not remove the tent.

In the decision is to remove the tent, you go to the yes arrow, and then we -- once we remove the tent, we have got to do something with the space where the tent is, and I've got two options up there. The -- and I will address option b first. The -- what we think is the minimal prudent course of action, costs about \$700,000 what that does is it takes the parking area, where the tent currently exists. It removes a portion of the concrete footings that the tent structure rests on, cuts them off below grade, matches and repairs the asphalt and there are electrical corrections that run the length of the tent that are used by the events inside the tent. What this \$700,000 project proposes is that we take those electrical connections, remove them from the tent structure, which would obviously no longer be there and extend them to line up with what the new Barrett Jackson tent configuration would be, the 165-foot wide rental tent that he mentioned when he talked earlier. So we would move those to line up with the new tent footprint, assuming that that's what he rents and that would be available then for other shows as well. And then put them flush to the ground, so it doesn't even need to be used with that tent configuration. We would have the power still distributed across that parking area, still available for uses that or may not include alignment, but it would be flush to the line so we can connect to it or choose not to use it and use the area as a parking lot as it was originally intended. That's the option b.

Option a is the more expensive option. The difference between the two options is -- and I have got a picture that I can show you that better explains this. Let's see, I think I have got a pointer here that I can use. The difference between the option a and option b is this area right here. This is a well site, a -- it's a monitor well for recharged wells that we have in this area, and it's also a well that provides water and please correct me if I've got this wrong. It's providing water to be used in the event that we need to supplement the raw water from the C.A.P. that we use to irrigate the Polo fields and the other areas around WestWorld.

Acting City Manager Brian Biesemeyer: That's correct. It's a recovery well.

Public Works Director Dan Worth: It's a recovery well. And then the area that's outlined in red, the lower portion of that area, is actually electrical equipment. It is a -- it's switching gear and transformers that provide power to that well facility. I believe that's also where we are taking power off it, that powers the tent. What you get for the extra money, the difference between a \$700,000 and \$1.2 million, that whole thing doesn't go away, just the red box goes away. It basically gives

about 18 feet more of usable space inside the tent. Barrett Jackson would be putting up a tent as they do now that has that well site in the middle of it. His flow would have to go around it. The additional spending would facilitate that flow in that tent by creating a little bit of extra space. It doesn't remove that obstruction all together, just narrows it.

So with that consideration, I think it's reasonable to assume that that's an optional extra, and that's why we presented two different options, the \$700,000, the 1.2 and \$700,000 is what we have put for argument's sake into the C.I.P. program that we showed you on that previous slide. So either way, you follow the no arrow, you have a capital project in a couple of years. If you follow the yes arrow, you have a capital project that is done when the tent is gone.

And then the box at the lower right-hand corner, possible revenue offset of the tent has some value. We have put out invitation for bid. It's being advertised right now, the closing date for bids is the 25th of this month. We had an optional pre-bid meeting. Anyone who was interested in bidding on the tent had ability to show up and walk it and inspect it and get their questions answered. That was today. No one showed up. So that doesn't mean that there's no interest. That means we haven't found it yet. And what we anticipate doing, we have some names that we can talk to. We are talking to event producers that have in the past been in the market for large tents and find out from the producers who they have talked to, and we hope to close the loop with some of those vendors and see if they might be interested. We are still doing that. We may end up extending that timeline for response as we try to beat the pushes and come up with people that are in the used tent business. They may be interested in this.

But if we don't find anybody who is interested in bidding on the tent, then we've costed out what we would get for it if we just took it down ourselves and sold the steel as scrap. That's the low end of the revenue offset that we get, high end, whatever anyone would bid. So there's still some uncertainties as far as that would go. Apologize for that, but that's the situation as we know it now and I would be happy to answer any questions and consider any direction that you have.

[Time: 01:33:14]

Mayor Lane: Dan, on the first box at the top of this slide, where it indicates 110,000 booked revenue for '15/16. So that's April actual booking for this fiscal year, right now?

Public Works Director Dan Worth: Mayor and Brian Dygert may be able to better explain this than I can but the latest information he gave me actually shows \$86,000 in booked revenue for 2015/16 that includes Barrett Jackson, two Good Guys shows and one smaller event that booked it for \$4,000. I believe that the difference between that and the \$110,000 number is roughly in Arizona Bike Week, which he doesn't show as having booked for this year.

Mayor Lane: Okay. And I guess the other question on that, other than the fact that it's not an actual number and frankly the actual number right now of booked is I figure.

Public Works Director Dan Worth: \$86,000.

Mayor Lane: If, in fact, the tent was not available, is any amount of what has been booked, would it go somewhere else? Would there be a replacement to it? And I think if the majority of that is Barrett Jackson, then it sounds to me like it's somewhat dependent upon that. The space could be rentable and, of course in a form that would accept another tent in the line of tents if it were to go that direction, but it would be somewhat more diminished than renting the tent itself.

Public Works Director Dan Worth: I would assume that that's the case but I'm not right person to be able to talk about the revenue impact of the tent going away.

Mayor Lane: You may have answered it with the first one, because actual booked is \$86,000. I don't know what the trend line is on that. If we were looking at '14/125, we would be including bike week and some actual numbers and so I don't know whether that's derived from that or not, but it does say booked revenue for '15/16.

Public Works Director Dan Worth: I'm showing we had a significantly larger number, \$254,000 that was Barrett Jackson, the two Good Guys events, Arizona Bike Week and then the haunted house that was there for over a month was \$85,000, and the Taste of the NFL was \$30,000. So half of that \$250,000 revenue came from those two events that aren't recurrent events.

Mayor Lane: The other question, and this may be answered by Brian, I'm wondering, if it was simply \$80,000 but it may be more than that as we just determined, \$80,000 a year deficit, is there some plan as to if it were to be retained to make up that deficit?

Public Works Director Dan Worth: Mayor, and certainly Brian can add to this, but part of the discussion at the WestWorld subcommittee was looking for a private sector solution to whatever our annual operating deficit shortfall might be. We did go and talk to Mr. Jackson and his group with the numbers that we showed you at the subcommittee, which was a smaller cost for the tent replacement and a larger cost for revenue, and he indicated that he was interested in meeting that operating deficit. These numbers make those operating deficits greater and that would be a further discussion we would have with him.

Mayor Lane: I'm sorry. He was not or he was --

Public Works Director Dan Worth: He was interested. He indicated that he could -- we were looking at about a \$30,000 annual operating deficit with the lower replacement cost and the higher revenue and he indicated that he would be willing to do that, \$80,000 is over twice as much. Haven't asked him yet.

Mayor Lane: And I suppose this goes to a facility that's not climate controlled and not a year-round facility. So I don't know what capacity -- and Brian, if you could just respond to that. Is there some greater utilization, even in the shoulder seasons and maybe even the off season to use that tent in its present form?

WestWorld General Manager Brian Dygert: You are asking me about what's the basic market demand on it? It's low and it's small. It's in the \$4,000 to \$8,000 to \$10,000 range, whatever that would be, a gem show, some of those components. The climate control would be the bigger issue, because the cost to put it in would have to be borne by the producer.

Mayor Lane: And there are options. We are still trying to book the climate controlled season, which would be in competition with any use of this. Yes, Councilmember Korte.

[Time: 01:38:23]

Councilmember Korte: Thank you, Mayor. So back in '14/15, how many days were rented out for this tent? How many days of that fiscal year?

WestWorld General Manager Brian Dygert: Councilmember Korte, I'm sorry, I don't have my glasses on, it's 138 days. Sorry.

Councilmember Korte: And then in '15/16, we will get how many days.

WestWorld General Manager Brian Dygert: It's basically -- there's one event, just so that you all know, that's not on that chart, that Mr. Worth was making reference to, which is the international sportsman expo which will be in March. It's coming up in two months from now.

So in reality, you are at 85 days for fiscal '15/16.

Councilmember Korte: And you mentioned that there's really not a market for this. So do you see this trending down? Or do you think that there -- with the appropriate marketing for prospects for the use of this tent, we can change that trend?

WestWorld General Manager Brian Dygert: The simple answer, Councilmember Korte, is there a market demand, and the answer is yes. You have two of the largest many of, one being Barrett Jackson, and the other is Good Guys. The question is: Is there enough market demand to make that happen?

Councilmember Korte: Well, that's what I'm asking. So --

WestWorld General Manager Brian Dygert: It would take some work.

Councilmember Korte: We are leasing it out for 85 days out of 360 days of the years that doesn't make it.

WestWorld General Manager Brian Dygert: Right.

Councilmember Korte: So are there -- are there additional prospects that we're just not reaching? Or are there so many obstacles such as the climate control that it really doesn't make it marketable?

I think that's the question.

WestWorld General Manager Brian Dygert: My gut would tell you without doing -- and I don't have the answer to give you a more sophisticated answer and I'm sorry for that because I haven't done the rest of that homework. My gut would tell you, with what we have right now, could we go find some and push another 45 to 60 days? Probably. Under its current status. We would have to readjust its rental rate in order to make it more conducive so that a show producer could supplement air conditioning and do things in the other four to five months. That's a little bit of the limiting factor.

Councilmember Korte: Thank you.

Mayor Lane: Thank you, Councilwoman. Vice Mayor Smith.

Vice Mayor Smith: I guess I think or I guess I know when you listed what you call the key factors to consider, you left off one that at least is important to me and that goes to the question of credibility. A lot of the citizens of the -- of Scottsdale are still remembering the proposal that was made to climate control and expand the TNEC facility and the enthusiastic discussions that occurred at the time that how, among other things, they would enable us to take down the unattractive tent. And in fact, staff, most of the staff that is still here, came forward at that time and said not only that, we can make \$1 million towards this project and there was no cost -- there was no discussion of cost, presumably the million dollars was a net number. Nobody talked about a recharge well. Nobody talked about an electric station. Nobody talked about any of this stuff. And I think the voters or the citizens would be -- would be fair in asking the question was that all just rhetoric at the time? Now a few years later, we are told there is no market for it. Nobody came to the bid today -- or came to inspect the facilities. In spite of the fact that we were told in public comment there's a shortage of tents, America, if not worldwide.

In my judgment, the -- the project that we did at WestWorld was to change WestWorld in a significant way so that it was not operating out of tents and open air horse barns and whatever. And a previous council approved 30 some million dollars for that project, less \$1 million from the sale of the tent, and then I don't have to tell anybody we forgot things and the cost went up and it finally ended up at \$50 million. And here we are three or four years later, system talking about should we or should we not sell the tent? And we are looking at numbers that say it has a deficit on an annual basis.

I don't even know whether your \$40 million of maintenance, Dan, include climate control when the customers are in there or whether they pay for the climate control themselves. I guess I'm interested to know that.

Public Works Director Dan Worth: It does not include climate control as Brian pointed out.

Vice Mayor Smith: So every event producer -- the ones that are in there now they pay for their own climate control?

Public Works Director Dan Worth: That would be correct.

Vice Mayor Smith: I can't come to any conclusion in the issue of credibility in honoring the commitments that were made several years ago, when this enormous project was undertaken. I can't come to any conclusion other than take down the tent! And that would be certainly my direction. I don't know what everybody else would say.

[Time: 01:44:23]

Mayor Lane: Thank you, Vice Mayor. Yes. Councilwoman Milhaven.

Councilwoman Milhaven: I agree with everything that the Vice Mayor said except the conclusion he draws. Right. So we are not going to make \$1 million by selling the tent because even if we had somebody to sell the tent to today, it will only offset the cost of remediating for lack of better wording the site. So if we sold the tent today, it's a wash. So if we don't sell the tent today and it goes through its reasonable life, then we will have the cost to put the -- and we don't replace the tent, then we have the cost of restoring the site. So in my mind, selling the tent sooner rather than later to offset the cost makes sense with the exception that if the private parties who are benefiting from the tent want to cover the shortfall, which makes it neutral to us, then I would certainly be agreeable to that. I don't have any interest in the city subsidizing the tent but if the private parties want to cover the shortfall, I'm certainly agreeable to that.

Mayor Lane: Thank you, Councilwoman. Well, I would agree with that position. I think that the city is in less of a position to sustain. I know this is somewhat, to use the Vice Mayor's term, sort of chump change in some people's mind of 80 to \$110,000 a year, a loss on it. It seems a difficult proposition to continue on with it in a plan that really wasn't anticipated. But if, in fact, it has use and maybe even growing use and we can get more for it in order to at least offset the shortfall we have right now, or somewhere in that vicinity of things, I would be saying keep it, but borrowing that, I think we ought to pursue the idea that we have -- well, we should have some kind of use for it. No. Barring that, I would say we go with the original plan if we can find a potential buyer for it.

And I don't know, Dan, if you had mentioned the idea of a buyer for it and I don't know what information was in that offering or otherwise. That may be something we need to look at and the other is, in the remediation of the land underneath it, once it's removed, what exactly do we need to do versus have to do given some of the cost considerations we have in that transfer too?

Councilman Phillips?

Councilman Phillips: Thank you, Mayor. And just right out, I have to agree with councilman -- or Vice Mayor Smith, that we did tell the public we would remove the tent. That was one of the conditions of getting the TNEC center. If that's the case and we go to yes, now we are looking at option a or option b, did you say that those options, one of them has to be done? Or is there option c that you don't do either one of those?

Public Works Director Dan Worth: Councilman Phillips, we think option b, the \$700,000 option is

certainly a prudent option if we don't do that, we are left with a couple of electrical service panels, pretty substantial ones that done service anything, which is a cost that we have incurred we would not be getting any potential revenue off that.

Councilman Phillips: So option b should be option a because it's kind of a minimal thing that we pretty much have to do, removing the tent. So I would like to see the tent gone, but we remove the tent, it will cost us a fortune. We are not sure if we can get anything. Maybe the scrap value but we would probably be paying somebody to haul it off. So it will cost us to remove it. It will cost us to keep it. But we told public that we would remove it. I think that's what we have to do.

If we go to option a, I don't know if there's any consideration from some of the vendors that might want to help with us that cost, so that we can do option a, but right now, I would go for removing the tent and, you know, doing the remediation process.

[Time: 01:49:07]

Mayor Lane: Councilwoman Littlefield.

Councilwoman Littlefield: Thank you, yes, I agree with the Vice Mayor and Councilman Phillips. I think we promised people we would remove it. I know a lot of citizens and the residents in D.C. Ranch are not happy with having it still this. We need to live up to our promise and I would go with option b from what I know right at the moment, as Councilman Phillips said, if there are other alternatives, we can take a look at that.

I would have a question for you, Mr. Worth. Is there a possible of extending the bid process beyond the 25th and extend it for another month or two?

Public Works Director Dan Worth: Absolutely. That's totally our call.

Councilwoman Littlefield: I would suggest that that would be a good solution also for the intermediate term.

Mayor Lane: Thank you, Councilwoman. Councilwoman Klapp.

Councilwoman Klapp: Well, I'm a member of the WestWorld committee and we discussed this and my position there hasn't changed. I believe that we should remove the tent. When we approved WestWorld, I know I stated that one of the reasons for wanting to have a multiuse facility was to have a world-class facility at west world and I don't think we have a world-class facility when we've got a third-world tent next to it. So my feeling is that we should be removing the tent and I would -- I don't know if we need to make the decision today about option a or option b, depending, you know, on how much money we could potentially get for the tent but my inclination is to go with option b. Of course, we don't know if we will get some money to see if there will be some other money to offset some of the costs for doing option a, but not knowing that, I would go with option b.

Because I do believe that we -- we made promises in a number of meetings to citizens that the accident would be removed and all the way back, even before we decided to expand WestWorld when discussions were going on with previous councils before I was even here, there was a discussion about when a new facility is built, that the tent would be removed. So that was the -- that was the understanding all the way back to 2007 when there was discussion with previous city manager. So I think that we have made promises we need to keep.

Mayor Lane: Thank you, Councilwoman. Councilmember Korte.

Councilmember Korte: Thank you, Mayor. I tend to believe that in we can make up the shortfall of the \$80,000 that we put this decision off for at least one more year so that the vendors that are utilizing that space have time to plan and reorganize around that, but I believe that that is dependent upon making up that shortfall of \$80,000.

[Time: 01:52:25]

Mayor Lane: Thank you, Councilwoman. You know, I'm just looking at these numbers a little bit in view of a number of things. I think it would be very difficult, really, and we really haven't quantified what the shortfall might be. I think it would be a difficult thing to try to recover, and in spite of what I just said before, one of the things we are faced with, in keeping it, is reskinning it and that's a cash outlay of \$1.5 million, that may be two or three years off, but that's still a significant concern.

In addition too, notwithstanding \$150,000 of annualized cost of reskinning, we still have a shortfall that over ten years period of time, would amount somewhere between, let's see if, it's 86 -- actually, you might be doing something, notwithstanding the underlying cost but you are talking about \$1.5 million in costs that would come up immediately -- somewhat immediately to take care of it, verse us going with the original plan. I'm -- I guess there's a little bit of -- oh, I guess a little bit of concern in my mind, as to whether or not it's worth taking the chance to try to take it out for another ten years at some loss, even if we just took the \$1.5 million and amortized it over five years, will still come up with \$1.5 million, versus restoring the site and putting it into operational use.

You know, I think I'm going to -- I think I tend more to change my position on this to say that I think the idea of keeping the promise, number one, I suppose, but also the idea of what the cost would be in restoring that to a condition that we thought we were going to have when we put this program together. You know, the easy one for me would be if there was an opportunity to recover what we set out to recover of about \$1 million, \$1.5 million for the tent itself. And given your success to this point in time in trying to sell that idea, that's -- that stands in high question.

Well, you know, I have to admit, I'm torn on the issue, because I would love to recover on it but at the same time, it will cost us to carry this and we will probably end up with a loss every year in any case. I know it's not been given to the prospect. It hasn't been given to the singular tenant that we really have in that, that makes a difference in making up the balance but that may be a tough one to manage through.

So any way, with that confusion, I will pass it on --

Councilwoman Milhaven: I was just going to say, I heard four people say sell it.

Mayor Lane: Yes. Mr. Nichols.

City Treasurer Jeff Nichols: I certainly don't want to be involved in the policy discussion, but I didn't want to point out one thing, and that is the annual cost that you are currently talking about is sunk costs. This tent, I assume was put on with general fund dollars and if so, you are talking the depreciation expense is what he's talking about. So that's already been paid. That's water under the bridge, so to speak when you are making your decision. Not going forward, I'm saying the two or three years that Dan has said that the contractor has told us the life that's left in the current tent, that's money already spent. So it's not to be saved. Just wanted to point that out.

Mayor Lane: Number one, Mr. Nichols, I don't think that you are interfering with policy decision when you give us information. That's what we are here to get from you. So I -- and I appreciate that.

I guess there's one other thing, and that's maybe the opportunity costs of using that ground for other than a tent, for parking, and/or leasing the ground for someone else to put a tent up. We have no costs associated with that, all basically potential revenue source.

City Treasurer Jeff Nichols: Mr. Mayor, I would agree with that as well. However, as Dan has indicated, to date we don't have a vendor that's looking to buy that tent. So to assume that we are going to get something else and we are going to offset those costs related to making that ground usable for that opportunity is the question. I think extending the bid time and Dan having his staff beat the bushes to see if we can find a viable buyer is the best way to go.

[Time: 01:57:31]

Councilwoman Klapp: Dan, you only had that out for a couple of weeks.

Public Works Director Dan Worth: We haven't gotten to the end of the original bid period. We want to see if we get any bidders but beyond that we can repost it and keep it open for whatever amount of time that we need to go out and find out what the market is.

Councilwoman Klapp: Yes, I believe that we need to extend it and as was mentioned to do a little bit more searching as to people that might potentially want a tent like this. I just -- if I recall, you had given me some information, the -- it went out kind of during the holidays or right around the first of the year and nobody is paying any attention to this stuff right then anyway. It seems to me that you ought to extend the time and do some marketing.

Mayor Lane: If I may, just for clarification purposes, option a is \$1.2 million on C.I.P. project. That's considering what for the sale of the tent? Zero?

Public Works Director Dan Worth: Mayor that doesn't take any revenue offset from the sale of the tent into consideration, that is a \$1.2 million capital project and revenue would be a separate item.

Mayor Lane: So if there was a purchase value or a sale value to this, that would offset that number?

Public Works Director Dan Worth: Yes, mayor.

Mayor Lane: Okay. Oh, yes. Okay. Sorry I see. I thought you were trying to do it now. We haven't allocated you some new time.

Councilwoman Milhaven: The point you just made was one of the points I was trying to make. I heard four people say take the tent down now. There's a cost associated to doing that. So to allow the private party to cover of the shortfall and I think Mr. Worth has done a nice job, if you take the \$1.5 million that would cost to replace it and you do it over ten years, you allow the private party to pay part of the expenses, we would be reducing the costs to the city and so, you know, if it's a promise to say we agreed to take down the tent, I certainly understand that thinking, but understand there's a cost to keeping that promise, unless Mr. Worth can sell the tent for the cost of restoring the site, and that in terms of costs, the -- the lowest cost option would be to craft an agreement with the private parties to offset some of these costs as well as pay for any replacement in the future. So I just wanted to point that out, but I heard four people say take it down now.

Mayor Lane: And if I might just end on that and I know we have another call on this. The \$1.5 million to reskin it is an investment for another ten years.

Councilwoman Milhaven: What I'm suggesting is that we try to craft an agreement that in the private parties are willing to pay for it, that I would be agreeable to -- if we are saying it's -- I'm sorry, \$80,000 is the annual value of the tent, plus the operating offset, I don't know if it's agreeable to the private parties to spend that much or what could be agreed to but in the private parties agreed to pay that amount, it would reduce the cost to the city, absent the city being able to sell the tent for \$1.2 million. It's a lower cost option for the citizens.

Mayor Lane: Unless we could sell the tent. To the interested party.

Councilwoman Milhaven: To offset the cost.

Mayor Lane: Councilman?

Councilman Phillips: Yes, I would be more -- and I heard the consensus of taking down the tent too, and option b of the \$700,000 remediation, if the private party wants to, you know, kick in to get the 1.2 project, that's another story, but, you know, if you take the consensus and we take down the tent, and you put the bid out there, who wants the tent, those people are going to know that we are getting rid of this tent one way or another, and you will probably get a bunch of offers. It probably won't be what you are expecting but it will be an offer anyway.

[Time: 02:01:41]

Mayor Lane: Thank you, Councilman. Councilwoman Klapp.

Councilwoman Klapp: At the WestWorld committee, if I recall the conversation, we had directed you at the time to talk to the users about a plan for covering the costs and I think you have already indicated that you don't have a plan. So was there a conversation that took place that might have given us more information that related to what the councilwoman is asking, if there's some desire to pay for all of the additional costs and you said the costs have gone up since our discussion at the WestWorld committee. So where are you on any of those discussions?

Public Works Director Dan Worth: Councilwoman Klapp, after the direction from the WestWorld subcommittee, we did go and have a discussion with Mr. Distribution, we used the numbers that we -- Mr. Jackson, we used the numbers that with we had at the time, the \$110,000 revenue and \$140,000 -- not \$190,000 annual operating cost, and that was the increase that we're talking about now is entirely because we were using \$1 million instead of \$1.5 million for the cost for the city to put new fabric on that tent. So with the old million dollars fabric number, with the old \$110,000 revenue number, it worked out to a \$30,000 annual operating deficit. That's the number that we talked to Mr. Jackson about, and he indicated, obviously, no commitment. No contract or anything, but he indicated that he would be interested in subsidizing the tent to that amount.

Now it's \$80,000 and, of course, it's still difficult to pin down with any kind of certainty. It's a function of a replacement cost that we think we have to bear in two or three years, neighbor we stretch more life out of it and it's a function of revenues that are difficult to project and you have seen -- and we discussed and they vary widely.

Mayor Lane: Councilwoman Korte.

Councilmember Korte: I will go back to the idea of buying a year. So if we plan on selling this tent next year, allowing a full event year for the two or three vendors that are using this tent, then we eliminate the cost of the new skin that lowers, from what I understand -- that would lower the operating deficit and maybe we're talking about a deal that could be covered by the vendors. If we just gave it another year. That's all I'm saying.

Mayor Lane: Thank you, Councilwoman. Vice Mayor Smith.

>> Vice Mayor Smith: I guess I just want to weigh in on some of the conversation about potentially waiting to sell the tent to an interested party. I personally would have a great deal of problem with that and I think the citizens of Scottsdale might have a problem with that, certainly the people would have to look at the tent 365 days of the year and we are promised four years ago it was coming down. And now we're saying maybe we can find who has a use out of it for a couple weeks out of the year and we will leave it up for the remaining 50 weeks of the year and watch it age in place. The skip start to flap or whatever it does when it wears out.

You know, to me waiting is not -- is not an option that we should look for here. I mean, if there's a market for this I presume somebody is buying it as the steel structure or aluminum, whatever it is, plus whatever remaining life is on the skin. And if we just run it out to its natural end, then all we have to sell is the structure. And we have subjected the citizens to three more years of seeing what they thought they weren't going to have to see any more. You know, as I said before, I guess maybe I'm paraphrasing former President Reagan but I would say, Mr. Worth, take this tent down!

[Time: 02:06:15]

Mayor Lane: Thank you very much, Vice Mayor. Yes, Councilwoman Littlefield.

Councilwoman Littlefield: Well, I would suggest we don't do it tomorrow since I think probably Mr. Jackson is planning on using it in the next few weeks but I would reiterate my suggestion that we do extend out the bid process and see if we can't find some people who are interested in buying it. Maybe as others have said, they may be more interested now that the holiday season is done and everybody is getting back to work and that might be something that we could take a look at, if someone comes by and wants to buy it. But otherwise, I think we should stay true to our promises to the citizens to take it down eventually, maybe after the season.

Mayor Lane: Thank you, Councilwoman. You know, I will go with that too. I think that there is the issue of the promise, but I also don't see that this is ever going to really make sense for the city to keep this in the longer run, even if we invest in another skin and \$1.5 million. We just spent an hour or more a while ago that we don't really have money for capital project on any line, much less an investment in something that heretofore has been a loser for us. And frankly then, throw into the mix that there's been a commitment not only when we first decided to expand and have a climate controlled north hall and a large facility there at the equestrian center.

I think we are talking about a number of things that just don't line up very well and I don't really see that there's any situation with -- you know, in existing circumstances that it's going to work for us. Let's keep the process open and I will go with the majority as far as this guidance is concerned, keep the process open, see what we can get out of there and I don't know whether or not as Councilman Phillips said that if, in fact, we continue on the track of saying we are going to be taking it down maybe buyers will come forward at that point in time. But anyhow, that's another -- that's a marketing issue.

Anyhow, that's -- I think unless there's any further comment, I think that's the direction that we are on. So continue Mr. Worth, if there is a continuance here.

[Time: 02:08:58]

Public Works Director Dan Worth: There is some more information, Mayor. I have moved forward to the first of three slides that I have in here for the transportation funds C.I.P., which is like the general fund subject to sales tax revenue, limitations, and which like the general fund C.I.P. also had a

list of projects that were put in front of the voters for the bond election, one of which passed which was a paving project, and the other one of which did not pass which included several treat improvement projects, and the discussion is very similar, actually.

The first slide, and I will apologize in advance because these are the same two slides that created all the confusion. We've got the message cloud and clear -- loud and clear it's all in the presenter. We will fix that the next time we go forward. But this is the existing current fiscal year, fiscal year '15/16, for transportation projects. I will point out similar to the general fund slide that I showed you, the project at the top of the list where we anticipate spending the most money is not a new street or a street enhancement, it's our pavement overlay project, which is reinvestment in existing streets, just like the facilities and the I.T. servers with the highest spending projects in the general fund C.I.P. This is next year and the four years beyond it.

First cut of the proposal for what the transportation fund C.I.P. would look like. Transportation projects, similar to the general fund, we talked about using other sources of funding and some of the general fund projects like the granite reef wash, the transportation projects make heavy use of other sources of funding, if particular, M.A.G. Proposition 400, county sales tax funding, and federal grants in some cases.

This chart just shows the transportation sales tax portion. So there are projects that use a combination of transportation sales tax and M.A.G. funding, for example, this just shows the transportation sales tax portion. Similar to the general fund chart, the line at the top, in dark blue, total revenue, that shows the revenue that we anticipate moving into the transportation fund C.I.P. That is 50% of the revenue that we received from the .2% dedicated transportation sales tax. 50% goes to operating. 50% goes to capital and similar to a policy for the general fund if we end up with a surplus at the end of the year, that money, just like an unreserved fund balance in the general fund is available to sweep into the transportation C.I.P. and, in fact, we have done that in the past to some extent, not to a great extent, but -- so the numbers shown at the top of the slide is the minimum that we anticipate based on revenue forecast, sales tax revenue forecasts. It can be slightly higher than that depending on the balance of the operating fund.

[Time: 02:12:15]

Mayor Lane: In the 17.8, the anticipated cash balance, the 17.8 adds into the 28 and leaving 8.7, which I think is close, but it -- actually, I'm --

Public Works Director Dan Worth: The closeness is a coincidence, same issues as with the general fund chart. That's \$20.1 million of budgeted authority that's being added in '16/17 and carried over in previous years and the 17.8, plus the 10.2, the \$28 million starting balance, that's real money. It's not budget authority. We will spend a portion of that budget authority and end up with what we project at the bottom, \$8.7 million cash.

Mayor Lane: I hate to bring this formula up again, but as I look at the bottom. Page, the yellow number 8.7 and I look at the top, anticipated beginning cash balance would that not ending the year

be the anticipated beginning cash balance or is there something that happens between June 30th and July 1st?

Public Works Director Dan Worth: I'm not sure I can even answer that. Same deal we need to create a presentation that gives you a better look of budget versus cash flows issue.

Mayor Lane: We had a fair exchange on what was the transportation sales tax that went to projects versus administration. When was the last time we made a change on that? Did we move it from 60/40 to 50/50 or what was that? Because I know that we have had conversations as to how much should go into administration out of this transportation sales tax, particularly in view of the fact that we use it for matching funds for prop 400 and everything else.

Public Works Director Dan Worth: It's been a number of years since we have adjusted that split between the operating and the capital. It's been at 50/50 since, I think, about 2009.

Mayor Lane: That sounds probably about right. It might have happened in 2008, but I'm talking about that year it changed. Again, it's a tough time to be pulling anything out of the general fund. But a dedication of more of these dollars as it was in the past to transportation projects, I think is a valuable way to pick up some of these transportation dollars. But just a thought, it's not a policy issue right now and I know we are not talking about that, but we probably should start thinking about whether we can move ourselves back into that position. That's for me on this.

Yes, Vice Mayor.

Vice Mayor Smith: I'm not sure whether we are on this line or whether I'm totally out of sync with the discussion, but the next to the last item, the pavement overlay program, is this the program that was approved on the bond issue or is this the periodic program that you have to do through the transportation fund?

Public Works Director Dan Worth: Vice Mayor, that's not the program that was approved by the voters in the election. This is transportation sales tax funding and the recurring every year resurface a portion of our streets as they age.

Vice Mayor Smith: Okay. I thought that was the case. But I wanted to be sure that the public understood that that's not what they voted. That's decision to this, yes.

Mayor Lane: Not to get back on the points of presentation but the payment overlay program on the current transportation funding, I'm not sure if this is a cash representation versus a budget is off by \$200,000 from the pavement overlay program, versus the transportation budget.

Public Works Director Dan Worth: The pavement overlay program is one of those very rare programs where we actually spend about 98% of the budget program every year. I think I managed to do better than that this past year. So if -- if -- yeah, I'm not --

Mayor Lane: Close.

Public Works Director Dan Worth: I'm not sure. I assume you added those numbers up.

Mayor Lane: Just the line item under the current transportation fund, the pavement overlay is 6.6 and the pavement overlay program under the C.I.P. transportation budget is 6.4. You know, I don't know that -- there may be some magic that is explainable. I guess I will just point it out right now. On the pavement overlay program, how much does that extend the life of a street?

Public Works Director Dan Worth: When we do an overlay, we are -- we're adding about 15 years of usable life to the street. It varies depending on the type of treatment that we do, the condition of the road. There's a lot of variables that factor into it, but it's -- it's about a 15 to 20 year extension.

Mayor Lane: So it's an add to a capital asset?

Public Works Director Dan Worth: We are extending the life.

Mayor Lane: Do we book it as a capital asset?

Public Works Director Dan Worth: I don't know how we book that.

Mayor Lane: Mr. Nichols when we do a pavement overlay on an existing street that extends the life for 15 years do we do a capital asset add?

City Treasurer Jeff Nichols: Mr. Mayor, yes we do. We don't add it to the asset, it's a new asset unto itself.

Mayor Lane: Okay. Thank you. Please continue.

[Time: 02:17:52]

Public Works Director Dan Worth: I will follow the same approach on the general fund. The asterisk are changes. Many of these changes are simply adding the fifth year to recurring funding projects. Those are basically the bottom half of the chart. Trail improvements sidewalk improvements transit stop improvements a number of projects where we identify an amount of funding but we don't know exactly which projects will rise to the top of the priority list for the intersection improvements, neighborhood requested projects, those sorts of things.

The projects that don't fall into that category, there's really five on this list at the top half of the chart, the I.T.S. signal systems upgrade, this is project that's currently in the C.I.P. we are proposing adding funding for next year and that brings it to the level that we -- below the level that we originally anticipated but the costs have gone down. And this is a project to bring fiber to each of our intersections so that we can control them from our traffic management center to increase the -- and to increase the detection capability that our intersections so they work better. It will make it faster to

get from point a to point b basically.

The Raintree Drive projects, really one Raintree Drive, to Hayden and Loop 101 that is no change. The other portion is a change to the M.A.G. funding portion. Happy Valley Road, that, like the aquatic centers project on the general fund side is a project that was at the top of the list on the proposed bond funded projects, the voters said no to that project. This is the one that if we go through the prioritization this year, was at the top of the list, and we felt that we could reasonably work that into the transportation sales tax funding, C.I.P., and put that on the list. I will also add that we pulled some projects off in order to account for that.

We had a project, again, M.A.G. is involved Raintree, Loop 101 interchange which we moved outside of the five-year plan, and then two other projects that will be fully funded with transportation sales tax, one is a half street on 98th Street near Notre Dame school, near WestWorld. The other was an intersection improvement at Pinnacle Vista and 56 in north Scottsdale. The thought process was that the Happy Valley project is an arterial. It affects more of the traveling public and very key to the consideration of trying to get that one into the five-year plan is the fact that it's 70% funded by M.A.G.

So the \$4 million in change that we have shown here on the transportation sales tax is matched by about \$7 million of M.A.G. funding which, of course, our residents pay into.

[Time: 02:21:13]

Mayor Lane: Mr. Worth, yes, obviously, on the basis of an allocation for the city of Scottsdale, as far as the M.A.G. funding is concerned and how much in the way of M.A.G. funding -- now, this may not be a number you have, but I'm very interested as to how much we have leveraged in M.A.G. Prop 400 monies, with the transportation sales tax funds that we have applied here. Do you have any idea?

Public Works Director Dan Worth: Mayor, that would take some research. I don't have that number.

Mayor Lane: But there are a anything number of the projects here that are related to --

Public Works Director Dan Worth: Absolutely.

Mayor Lane: And one other thing I pose that in 2016, we are slated to receive the funding on the B.R.T. And I know that that's -- that's systemed to be \$1 million a year on that for the next -- estimated to be \$1 million a year, for the next 15 to 20 years but I'm very interested as to how we are going to apply and frankly where we are going to come up with the matching funds for that, if it's required. And if, in fact, we are not going with the B.R.T., if we were to address some of our more immediate transportation situations in town, if we can get it reapplied, but I guess, even my point about the transportation sales tax, we have used it as a matching -- a source of matching funds to make sure the federal and M.A.G. funds have become available for us, and that we could meet that obligation. I'm making -- I'm not only curious, but I'm a bit concerned as to whether or not we have some capacity to match those funds, as is necessary.

Public Works Director Dan Worth: Mayor, the short answer is that our capacity to match those funds is being challenged. It's being stretched. And that's one of the issues I was going to highlight on the issues slide for the transportation C.I.P. Now, a little bit of nuance, some of the funds that we used to leverage M.A.G. funding and federal funding goes to the operating side. Most of our operating -- our transit costs are paid on the operating budget, and that 50% of the transportation sales tax goes to operating a lot of that goes towards though expenses, the transit side. I assume that a match for B.R.T. would fit into that category, and wouldn't show up on the C.I.P. side. But there are several C.I.P. projects where the city is going to be required to come up with a 30 or 40% match and our ability to do that is getting harder and harder over time.

Mayor Lane: Yeah, and obviously if we don't use those funds, we run the risk of losing those funds to some other city and/or application within the valley somewhere within Maricopa County, I should say. I think that's probably something we should pay particular attention to, even in this budget process, that we are not -- if we are not careful, we may end up jeopardizing the availability of what I would presume to be B.R.T. or not, and I don't think we are going the B.R.T. route, but there are other things that we can enhance that would meet a transportation, whether it's mass transit and/or roadways or trolleys or other things that we would be able to alleviate these, particularly in workforce delivery, and in and out of the airpark and the Shea boulevard corridor. So I'm -- I don't know that that's something that is -- it's not reflected here other than what we have already done in the way of application of some M.A.G. funds available in some other areas, but where we might be particularly on that, which is a major project for us, we don't want to miss.

[Time: 02:25:10]

Public Works Director Dan Worth: Mayor, one other project I wanted to highlight on this chart, about the middle of the chart, with an asterisk, streets north storage yard. This is a new project and it's basically an opportunity that we have and you will hear more about this in the future, but this is associated with a potential Preserve land purchase. Kroy Ekblaw is working with the state land department to position the land on the northeast corner of Pima and Dynamite for the next auction for the Preserve. You will hear more about that as we get further down through that process, but there's a very small parcel of land. I think it's about three acres that's just off the northeast corner of Pima road and dynamite. It's within that area that's owned by state land. They have leased it to a contractor that has used it as a storage yard in the past. It's disturbed land. There's a ball there. There -- a wall there. There's a building there.

It runs from southwest to northeast through that area and we are considering using non-preserve funds, transportation sales tax funds to acquire that portion of that purchase and then use it in its existing configuration. It's already disturbed and already has a wall and an access road as a storage area for the street operations department to store equipment and materials that they used to take care of drainage structures, unpaved roads and shoulders throughout the northern area of Scottsdale. That's been a problem for us, because we don't have any area that -- or any storage capacity in that area. The closest thing we have is the water campus and we have significant costs to move equipment to service that part of the city. So we can allocate some funding to be able to meet that

need.

Mayor Lane: Interesting, yeah. Yes, Vice Mayor.

Vice Mayor Smith: Let me understand, you are suggesting you would be sort of a co-participant on the preserve land. I thought that was offered to be land to be preserved and you are going to do whatever you do here, storage yard?

Public Works Director Dan Worth: Vice Mayor, that's correct, and Kroy is going through the process to include getting a recommendation from the McDowell Sonoran Preserve Commission. He's actually scheduled to take them out weapon the next couple of weeks to walk the site and talk about plans for trailhead that might go in that area, as well as to get an opportunity to look at this particular site. The thought process, again, is that this is already a pretty well disturbed area. The power line corridor, the contractor storage site that we are contemplating and there's an A.P.S. substation that sits adjacent to that area. It's not really pristine desert environment.

The rest of that land purchase and I can't remember off the top of my head, it's 300 acres, but the rest of that potential purchase certainly meets the criteria of preserve. The proposal, if the Preserve Commission agrees, to buy it for the transportation purpose, already disturbed area, and then buy the rest of it which is a much larger parcel with preserve funds and it would be subject to the preserve rules and be a part of the preserve.

Vice Mayor Smith: I'm way over my pay grade here but I think I'm asking a legal question, which is whether we can actually buy a piece of land that is sold us to as preserve land and concert it to something other than preservation, but maybe that's a question the city's attorney is satisfied or thought about?

Mayor Lane: Mr. Washburn, do you care to comment?

City Attorney Bruce Washburn: My understanding is that it was not going to be bought with Preserve funds. It would be bought -- to be bought with transportation money. There's no prohibition. Are you saying because it's within the recommended study boundary, can we only buy it for Preserve purposes? There's no legal limitation on that either.

Vice Mayor Smith: I was only saying that I thought we -- when we appealed to the State Department to sell us land, we were appealing to them to sell us land for preservation or conservation, or whatever the classification is and the expert is standing right back here, moving slowly towards the microphone.

City Attorney Bruce Washburn: Well, let me add from a legal perspective, when we were buying land with growing smarter money, then -- and we had to place conservation easements on it, then it was restricted but for the most part, the state land department sells you land and it's -- and usually not for a restricted use.

Preserve Director Kroy Ekblaw: The city attorney is correct in that these would not be -- at this point,

the growing smarter dollars have been fully spent and the other thing this particular parcel that we're talking about was not part of the lands designated as suitable for conservation and that's part of the zoning process, we'll be bringing forward later this spring. This land is being fully appraised as developable land and you will see a much higher price breaker than anything we have been buying previously.

Vice Mayor Smith: I knew I was above my pay grade.

[Time: 02:31:03]

Mayor Lane: It's all right. It's a good question. You know, I guess my question, you talk about Dynamite and Pima?

Preserve Director Kroy Ekblaw: Mayor, that's correct.

Mayor Lane: And was it the southwest corner?

Preserve Director Kroy Ekblaw: The northeast corner.

Mayor Lane: The northeast corner. Isn't that the corner that we're talking about with the most recent purchase that we were talking about having a gateway?

Preserve Director Kroy Ekblaw: Mayor, that would be correct. We do anticipate per the existing access area plan that was approved originally in 1999, that there would be a major trailhead located at this location. It would be close but it would be separate from this area and, again, this disturbance is a complete flattening of the ground. We would -- it would be very expensive to attempt to restore this piece of land so a natural setting because it has been used as a materials yard, actually going back to the development of Pinnacle Peak Troon north. So it's been under this type of use for many, many years. And we were simply -- we are simply looking at options. The Preserve Commission will be out in two weeks taking a look at, it and we'll get their input and we would certainly bring that back as the proposal.

Mayor Lane: Well, as a council would have an opportunity to consider this, the location, if you will look at the use of this land.

Preserve Director Kroy Ekblaw: As part of the recommendation of acquisition that would be an option that would be before you. The option could be simply Preserve acquisition and purchase an acquisition through the Preserve or the option to include this roughly 3, 3.5 acres.

Mayor Lane: When are we slated -- when is the auction slated?

Preserve Director Kroy Ekblaw: This is where we are tied to the zoning process.

Mayor Lane: Okay. So that has not been established yet?

Preserve Director Kroy Ekblaw: I expect that yet this spring which would happen fairly quickly after the council takes action on the zoning request.

Mayor Lane: Got you. Yes, Councilman Phillips.

Councilman Phillips: Thank you, mayor. So that's an argument for a later date. I totally get that. On the Happy Valley, Pima Road to Alma School Road, I would assume in the past, or maybe the reason it hasn't been widened is because we are waiting for development on the south side to pay for that widening. So if the city is for some infinite wisdom has decided that we should go ahead and widen it anyway, is it in the future that we might be able to get some sort of reimbursement from the developer?

Public Works Director Dan Worth: I think that -- I would just be hazarding a guess, but I think that's unlikely.

Councilman Phillips: It's unlikely since we already did it.

Public Works Director Dan Worth: Correct.

Councilman Phillips: So unless there's kind of safety danger or something in us widening that road -- I take that road almost every day and I don't see the purpose of us widening the road. I would rather wait for developer to pay for it.

Mayor Lane: Thank you, Councilman. Councilwoman Littlefield.

Councilwoman Littlefield: Yes, I just have a question. I understand basically what all of these things are saying, but what is included in the item neighborhood traffic management program over five years. We have \$1.1 million into this program. Can you go into more detail, please.

Public Works Director Dan Worth: Councilwoman Littlefield, that is the program that we used to pay for capital costs associated with the program that the transportation department administers with information from the transportation commission, we have a process where a neighborhood can come in and request modifications to the street to help control traffic speeds in their neighborhood, and it can be narrowing of streets, pedestrian refuge islands. It can be in some cases roundabouts, a number of tools that we have used, speed tables, of course, the number of tools that we used in the past can fit into this program, but if neighborhood makes a request, it goes through the analysis and there are a number of steps that it goes through that I can't address but if it's a determined we will do the project and we have all neighborhood input, then this is the capital fund that will pay for that project and we don't know in advance what neighborhoods are going to request those funds. So we can't identify those projects one or two or three years in advance.

Councilwoman Littlefield: But those are neighborhood driven.

Public Works Director Dan Worth: Those are neighborhood driven.

Councilwoman Littlefield: Thank you.

Mayor Lane: Thank you, Councilwoman. I see no further questions if you want to continue then, Dan.

[Time: 02:36:03]

Public Works Director Dan Worth: Mayor, I think issues slide is somewhat redundant. We have been talking about these. We do have the need to continue investing in the existing street infrastructure and we have already addressed the fact that the M.A.G. program funding. We have been very successful in leveraging that funding in the past. I will come up with some numbers to indicate how much we have leveraged since the passing of the Proposition 400. But we have been in the position that we can stand at the table and walk for the crumbs to drop from the communities that don't have the funding to do the local match and we're in danger of it going the other way.

Mayor Lane: Well, and even to the point, Dan, if you could, and that is quantify as best we possibly can what might be in jeopardy there.

Public Works Director Dan Worth: Yes, absolutely.

Mayor Lane: Okay.

Public Works Director Dan Worth: And then this last slide addresses both general fund and transportation fund. We hit on it several times during this discussion, identification of other funding sources. I think I have shown you this slide the last couple of years. I have made one change on it.

We often leverage those funding sources that you see Rico, flood control district, and we have flood plain district, with the Salt River Pima making a substantial investment. And then the transportation side we have been talking about the M.A.G. and the federal grants, the one addition that I've got up in here is something that we have used in the past. It hasn't been project specific, but we have sold some real property assets in the last three years and generated some funding that went directly into the C.I.P. and that is certainly an option as we move forward.

We have had discussions in various forums over the last couple of years about some of those potential real property assets. There's four of them that -- that we all know about, have talked about, but four of them that are of pretty significant value that may or may not enter into any future funding discussion for the capital program, 80 acres of land that we have on Bell Road which we haven't appraised it, but looking at comparable land sales our staff has come up with an estimate of value, somewhere in the neighborhood of \$50 million. We spent 47.2 to buy it. So we may be at the point now where we are no longer under water on that land. Of course, we still have a pretty significant outstanding debt from the purchase of that land, but that is an asset that the city controls that is worth a substantial amount of money.

[Time: 02:39:00]

Mayor Lane: Under no circumstances, now that we may, as the numbers may indicate, we are out -- we are not under water on that any longer. We don't have debt that exceeds the value of that land.

Public Works Director Dan Worth: Mayor, that is correct. The last number I got as far as the outstanding balance on that debt this is six months old. So I presume it's gone down, but it was in the neighborhood of \$43 million.

Mayor Lane: Okay.

Public Works Director Dan Worth: And, \$50 million is an estimate based on appraisal rules and our staff's best judgment if we put it up for auction. I have talked to a couple of people representing buyers who have indicated that they have buyers that would pay something in that range for that land. It's very marketable.

Mayor Lane: Yes, very good. Councilwoman Milhaven.

Councilwoman Milhaven: My understanding is we paid for that with bed tax funds. Do we need to repay the bed tax if we used the proceeds of the sale of that property for other than tourist-related -- tourism-related purpose?

City Treasurer Jeff Nichols: Mr. Mayor, Councilwoman Milhaven, if, in fact, we paid for it with bed tax funds, our past practices have been that the funds go back to whence they came.

Councilwoman Milhaven: So that would suggest it's not available for other capital purposes that are not tourism related.

Mayor Lane: There's only one portion, \$600,000 in debt service that's paid for it. I don't know what that represents on the total number, but that's not -- yeah.

Councilwoman Milhaven: I'm sorry.

Vice Mayor Smith: I said that's interest only.

Councilwoman Milhaven: What is interest only?

Vice Mayor Smith: Of the \$600,000 a year that the bed tax is paying towards -- it's a much larger annual cost for the property -- carrying cost or not carrying cost but principal and interest but the bed tax portion was interest only. I'm not sure you are recovering any past interest in the sale of it --

Councilwoman Milhaven: So you are saying debt was paid in part with bed tax and part with general

fund?

Mayor Lane: Yeah.

Vice Mayor Smith: It was MPC debt that was general fund.

Councilwoman Milhaven: When did we buy that property?

Mayor Lane: Shoot, it's probably seven years ago now.

Vice Mayor Smith: Longer than that, 2005 or 2006.

Public Works Director Dan Worth: 2005.

Councilwoman Milhaven: When is the debt retired?

Mayor Lane: Never. I think there was an interest-only portion of this thing, right? It was just the payment or --

Vice Mayor Smith: The city treasurer can correct me. My recollection is that the current debt service, is 2.5 to \$3 million. \$600,000 of that being a small portion of the interest cost is paid out of the bed tax. The rest is a general fund charge. Not to say that it argues for or against the sale because if you sold the land, you would certainly void that 2 or \$3 million to the general fund which would be a good thing.

[Time: 02:42:13]

Mayor Lane: And if you put it back on the tax rolls, you have some value there too.

Mr. Nichols, on the Rico funds, has the change in the federal law with regard to confiscation of funds under the RICO act, has that changed anything in the equation of how much is recovered or held or that we would be banking on even for the police department?

City Treasurer Jeff Nichols: Mr. Mayor, at this point in time, I can't answer that question. I'm not aware of any changes that have been brought forward. What I hear from the police department quite often is it's on new technology. It's restricted to that.

Mayor Lane: No, not what it can be used for. There's been a change in the law to restrict the extent of confiscation under RICO. And I didn't know exactly how much that was, and, frankly, if there was any backward motion on it. I think the feds are actually looking for a greater percentage of whatever they do, whatever is recovered but in any case, it's -- I just thought you might know if it's -- when we talk about other funding sources, that may be one that's changing a bit for us. Okay.

Public Works Director Dan Worth: Mayor, there were three other pieces of land that I wanted to

throw out on to the table, just to acknowledge that they are there. I'm not looking for any kind of direction or decision. One is the parcel of land that we generally refer to as the Rose Garden parking lot, which is on Fifth Avenue west side of Goldwater, south of the Arizona canal. That is a surface parking lot with 124 spaces. We actually have done an appraisal on that piece of land. That was about eight months ago. The appraisal gave us two months ago. If we just sold it outright, we valued it at \$3.9 million. If we sold it with a restriction that the buyer would have to provide us 124 parking spaces either on the site or nearby, it would reduce the value to \$1.1 million. But -- so somewhere between that range of extremes, 1.1 to \$3.9 million, it's about an acre and a quarter.

Mayor Lane: That parcel dropped out of a development project that we had for a number of years.

Public Works Director Dan Worth: That's correct. Last June it was encumbered by a development agreement that has disappeared right now.

The third parcel is one that we will come back and discuss with you. The 1.5-acre excluded parcel at SkySong, we didn't do an appraisal on this, but, again, looking at comparables, we think it's worth somewhere in the neighborhood of \$2.5 million plus or minus a couple hundred thousand.

And then the fourth one is when they have given us some direction on -- is one they have given us some direction on. It's the parking area that we referred to as the Laloma site, it used to be encumbered by a development agreement several years ago. It is now five acres of surface parking and the Greasewood Theater building, it was leased to the theater. Of the Second street, again, just a staff opinion, a value of \$14 to \$15 million. We are currently working in response to the direction you gave us in December to consider some or all of that site as part of a possible tourism related or neighborhood-oriented downtown capital project.

Mayor Lane: Dan, do we have any city interest in that land that is on the outside of the -- of that southwestern portion of the downtown envelope on the turn there with Goldwater, the other side?

Public Works Director Dan Worth: The south and the west side of Goldwater, alternate of the Loma Linda parcel?

Mayor Lane: Yeah.

Public Works Director Dan Worth: I believe there's a -- there's a couple of triangle-shaped parcels there. One is privately owned. One, I believe, there is some city ownership of land. It's a former right-of-way that predates the construction of Goldwater.

Mayor Lane: Okay.

Public Works Director Dan Worth: I think we have a pedestrian path and some public art in that area.

Mayor Lane: There's some interest and just in conversation, I didn't even know we had any city land on that side, but --

Public Works Director Dan Worth: It's very small parcel.

Mayor Lane: But trying to find out, you know, what might be available in the development of that. Yeah. So those are the three parcels that you were talking about and you were saying the ones that are within the downtown envelope and that southwestern portion are valued about and that's a rough estimate on whatever staff might have put together?

Public Works Director Dan Worth: Right.

Mayor Lane: And how many total acres is that?

Public Works Director Dan Worth: 5 acres total, including the footprint of the theater. We have an obligation to repay money that the theater, the tenant invested in that building it decreases over a period of ten years, I think it is. It stems from when we renewed the lease or entered into a new lease with them about three years ago. The value of that commitment is very small in comparison to the value of the land it's in the range of \$40,000.

Mayor Lane: Do we have any idea on estimates. I know we did it the Los Arcos site, but how much is lost in property taxes on these lands?

Public Works Director Dan Worth: It would be obviously dependent on the value of what gets built there, but we haven't come up with any kind of estimates. We could take a stab at it.

Mayor Lane: Yeah. Well, for example, on Los Arcos site, it's about \$2.5 million a year, but that's also developed. So I can imagine it's not but a fraction of something like that, even on 14 acres and that's 41 acres, but it's just an additional add when we go through the number of years that we held it. As you said, it's 10 years that we were sitting on that. I know it was a part of a development agreement for at least a number of years, at least \$14 million worth. So -- well, you know, I've got to say, is that the -- to the best of our knowledge, is that a remarkable land that the city has, that is out there? Or, you know, are there -- does that just happen to be the most -- the highest prospect prospective land, valuable land.

Public Works Director Dan Worth: The four parcels I just described are probably the four parcels that the city owns that are not encumbered with an existing use that -- there's marketing interest. We've had interested prospective buyers on every one of these parcels come and talk to us. It's definitely market interest in all of them.

Mayor Lane: One thing that's come to me just through some merchants downtown and as a concern to the -- the parking lot behind the Pepperwood building, whether or not that was sold with any restrictions with regard to public parking. Do you happen to know that by any chance?

Public Works Director Dan Worth: Mayor, off the top of my head, I believe we obtained a restriction to maybe it available for public parking.

Mayor Lane: Okay. I appreciate you answering that. Obviously this is a sideline to this, but nevertheless, I appreciate that. Yes, I'm sorry, Vice Mayor?

[Time: 02:49:46]

Vice Mayor Smith: I just wonder if we would -- I know we would benefit. I don't know how to go about asking staff to do it, but give us some kind of a current state of affairs on the 80 acres, what its current debt service is and where that's being charged. I think we have fleshed out pretty much some of the ideas here and -- and maybe even more definitively, what its market value might be and then carry it one step further, I suppose depending on what its -- if it were sold and developed to the mayor's point of view, what might be the enhancement to property values. I know that's very subjective depending on what use is made of it. But I would like to just see a discussion item of that 80 acres so that we don't -- don't let it slip off the radar screen.

Mayor Lane: Just a small note in that respect, I mean, that area is becoming very -- very -- there's a lot of interest in that area, I should put it that way, frankly, some significant potential development which would increase the value, obviously the improvements on those lands and it would be a big plus and if the 80 acres could go in a similar fashion or at least a reasonable complimentary way, I think it would be very good. The state land trust is very interested in their lands that are in that area, which brings up the other issue or an issue of the sale of state lands versus the lease of state lands, as far as the tax consequence to the city with that difference.

So yes, I'm sorry. Councilman.

Councilman Phillips: Thank you, mayor. And so, you know, I don't know if this is a sensitive subject or not, but the Salt River Pima Maricopa Indian community, we know they have a butterfly museum and now they will have a sea world, they will have an 80-acre auto mall and three hotels have gone up. So I don't know if the city is having a communication with them as far as the I.G.A.s with the -- our community to the east of us there.

Public Works Director Dan Worth: Councilman Phillips, I'm not aware of any discussions that are going to yield any kind of revenue associated with the development that the community is doing.

Councilman Phillips: Okay. So the I.G.s we are getting now are mostly through the state? They are kind of mandated through the state?

Public Works Director Dan Worth: As far as the -- I'm way out of my league --

Councilman Phillips: Any intergovernmental agreement with the SRPMIC as far as funds that they give to the city of Scottsdale for whatever reason.

Public Works Director Dan Worth: There are contributions from gaming revenue that the city obtained on a yearly basis. It's a process, that largely goes through community services department.

And I -- I can't tell you that -- well, I would assume that the development that's happening in that corridor has a minimal impact on that. That's specifically gaming revenue. I'm not aware of any other intergovernmental agreements that generate any revenue for us on the activity of the development corridor.

Councilman Phillips: I don't know if our city treasurer or the mayor might have some insight into our neighbors as far as revenue goes and if Scottsdale has any benefit off of that.

Mayor Lane: Well, the prop 202 monies is -- is reduced to a statute, but it's really an agreement and that is the distribution of 12% of the gross to the surrounding communities. That's not really technically an I.G.A., but the only I.G.A. that I'm really aware of and I don't know who might have a tally of those, but the most preeminent one that we have is the one on Pima Road with regard to drainage and improvements on that road as it was associated with an agreement years ago, that we have leveraged both county floodplain monies and also FEMA monies, as well as SRPMIC with us. And as for the roadway and, that that's the product of an I.G.A. that we struck when they put in the stadium and we finalized the distribution numbers.

Public Works Director Dan Worth: Mayor, you are correct. We entered into an I.G.A. with the Salt River Pima community at the same time that they built their stadium, and it governed the cost share from each of the parties, the city and the community for Pima Road improvements to bring it to its ultimate four-lane cross section, as well as for the granite reach wash drainage improvements. That is still effect and, in fact, the segment of the Pima Road adjacent to the stadium project was first phase that was completed under the terms of I.G.A. We got a lot of funding from the Salt River FEMA community for that piece of road. Their distributions under that I.G.A. for some of the other development of those projects is going to come from development. They are going to require developers along the Pima Road corridor to make some of those improvements on those projects and that is certainly a legitimate source of their participation.

Mayor Lane: We do the same thing.

Public Works Director Dan Worth: Absolutely.

Mayor Lane: And I suppose the only other thing is that the development of the auto mall and some of the other applications outside the casinos is certainly something that will have some impact on us. We have talked about that before too, but that's from the stand point of a revenue stream. That's -- I'm not sure exactly if we quantify that, at around \$2.5 million to us, if, in fact, anything that comes out of Scottsdale. Losing 2.5, in tax revenue. Yeah. But at the same time, for the most part, this doesn't really mitigate the impact of that, but it's car dealerships on McDowell that are under performing but you can buy the original equipment manufacturers.

I will tell you the state and everyone is taking a hard look at some of these developments because of the impact on the state's revenues too. So -- I'm sorry.

[Time: 02:56:13]

Councilwoman Littlefield: I didn't catch -- you had given on an estimated appraisal value of 1.5 acres at SkySong that the city has. Can you tell me what that was again?

Public Works Director Dan Worth: Councilwoman, it's about \$2.5 million.

Councilwoman Littlefield: And do we have any particular plans on what we want to do with that land?

Public Works Director Dan Worth: We have several options that you gave us to consider and we are working to put the meat on the bones and bring that back to you as an agenda item in late March.

Councilwoman Littlefield: Thank you.

Mayor Lane: Okay. Unless there's any other questions, Dan, it looks like we are at the end of the sheets. So thanks so very, very much for all of that. I hope we gave you guidance.

Public Works Director Dan Worth: Lots of good guidance, Mayor. Thank you.

Mayor Lane: At least in the format of some of those work sheets, but anyway, thank you.

ITEM 2 – ETHICS REFRESHER TRAINING

[Time: 02:57:22]

Mayor Lane: Well, that will take us to one of the more thrilling aspects of things we do into these meetings and I know everybody is looking forward to it. The presentation by our illustrious city attorney, Mr. Washburn, the council ethics refresher, January 19th, 2016. Mr. Washburn, thank you for being here.

City Attorney Bruce Washburn: Thank you, Mayor. Wouldn't miss it. Okay. I'm going to try and do a little something different with the ethics this year.

Mayor Lane: Trying to jazz it up, are you?

City Attorney Bruce Washburn: I am trying to jazz it up, indeed. This is the seventh time that I have done this because you have appointed me the city attorney in December of 2009. So like the first month or the second month on the job, I did the ethics refresher. This is now the seventh time. I went back and looked at the six previous presentations and there was a certain level of repetition, shall we say, going kind of over and over the same stuff. The same stuff that I sit down and go over with each one of you when you first get elected. So I'm --

Mayor Lane: Mr. Washburn, I will go ahead and read what I have on here as to why we are doing this. I may have been a little light hearted in my introduction of you and that's to say if you don't

mind, pardon me. On May 2nd, 2006, the Scottsdale city council adopted resolution 6879 and ordinance number 3675 establishing the city of Scottsdale's public service ethics program and a code of ethical behavior related to elected and appointed officials which became effective July 1st, 2006. The city's ethic program and the code require that the city councilmembers receive annual ethics training which is what we are in the midst of right now. And this ethics training for the city council will include the following components: Discussion of the requirements of code of ethical behavior that are most frequently implicated in the councilmembers' activities. Two, an update on any changes that might have occurred in the last year relating to the code of ethical behavior and three, an opportunity for councilmembers to raise any issues of particular concern to them. Training session is instructional and informational. No public business will be considered. However, city councilmembers may engage in discussions about ethics, issues as part of the training session.

So just for the record, and so that we have it for anyone who may be watching this, I wanted to make sure I didn't slight this in any way.

[Time: 03:00:02]

City Attorney Bruce Washburn: Thank you, Mayor. What I will try to do tonight, instead of just going over the details of all the requirements which we talked about many times before, I'm actually going to hit issues that I think might come up on a regular basis, kind of what the mayor just read, the ones that are most frequently implicated in the council's actual undertakings. Which means that I'm going to talk about open meeting laws and gifts because those are the two things that I think come up most often.

So let me start out with some open meeting law issues. The Attorney General's hand book talks about what the things are that go into making up a meeting. And it's all discussions, deliberations or considerations or consultations among a quorum regarding matters that may foreseeably require final action or a final decision. And that's the issue I want to talk about briefly and that is what are matters that foreseeably might require final action or final decision and the A.G.'s handbook and I refer to the A.G.'s handbook because they have done a very thorough job of analyzing all kinds of open meeting law issues, plus the Attorney General's office is the one that is charged with enforcing open meeting laws. So it matters what the Attorney General's office thinks of the way in which the laws should be applied.

But the -- the handbook says that what -- when is something foreseeably going to require final action or a final decision that there is no hard and fast rule that you can give. So you really need to, in each instance, if you are going to talk about something that is a quorum, is this something that we might actually be acting on in the foreseeable future?

And one issue that -- one way in which this comes up is let's say you have just voted on something, and so now you have taken a final action. You have approved a contract or rezoned a property, is that something that you can talk about in a quorum, it's not foreseeable that it would come before you again? My advice would be that things do come back. And the fact that has taken some action, doesn't preclude you from taking other action. Yes, you already acted on it, that you could then talk

about it outside of a public meeting, there's a quorum, my advice would be that you try to stay away from that. For example, if you just had an extensive discussion up on the dais and then you acted and now the public is leaving and the quorum of the council is talking amongst themselves, I would recommend you don't talk about the action that you just took because it's always possible that something would come back.

The next thing I wanted to talk about -- yes, sir?

Mayor Lane: Mr. Washburn, I guess the one possible exception to that, I could think of -- I was going to say it's like executive session. If it's a comment that you made, a person, an individual made in executive session, they are free to speak about what they -- what comments they made.

City Attorney Bruce Washburn: They are free to make the comments again. They are not free to say this is what I said in executive session.

Mayor Lane: I got you. So there's no labeling on it, like to an executive session. If we already discussed something in public and I appreciate where you are coming from on this, as far as it can be something we could act upon again, but we already have discussed it in public and we made a decision. Reason we already, I would hope, we have already discussed it in public. Does that give us a little bit of latitude or how did I veer do we need to be as far as no follow-up conversation because that's something that routinely does happen.

City Attorney Bruce Washburn: I know. I understand that, and that's why I'm advising you to be very careful about it. The fact that you have discussed it in public doesn't say anything about whether you can also discuss it in private. I mean, obviously, if there's something that's going to be coming before the council and you talk about it up here, you can't then -- because you have talked about it in public, also talk about it outside of the public in a quorum, but the fact that you acted on it, arguably, you have already discussed on it and acted on it, and arguably you are done but you might not be. Obviously if it's an hour after you have acted, that's probably -- you need to be more cautious than if it's month after you acted or a year after you acted, then it's very likely not going to be coming back.

[Time: 03:04:47]

City Attorney Bruce Washburn: The next issue I wanted to talk about was what constitutes deliberation, because the things you can't do is discuss, deliberate -- you are not supposed to be doing any deliberations outside of -- outside of a public meeting, well, what is a deliberation? I mean, we know what most of the things are that constitute legal action, if somebody is going to, you know, make a motion, something like that, recommend that something occur, but deliberations, again, this is out of the Attorney General's handbook. It's the collective acquisition and exchange of facts preliminary to a final decision.

And here's the issue that I want to raise about this. Subcommittee meetings. Obviously three members of the council attend a subcommittee meeting and they have an agenda and the things that

they -- they are discussing or discussing at the subcommittee meeting almost by definition are things that could come before the council after the subcommittee has discussed them. So what happens if a fourth member of the council sits into these subcommittee meeting? So now they are sitting there and the fact is I followed up with the Attorney General's office on this very issue. And I did not get a definitive answer on it because the -- the point I made to them is, well, you know, they could read the minutes of the subcommittee meeting the next day, assuming that the fourth member of the council just sits there and watches. They could read the minutes of the subcommittee meeting the next day and know exactly what happened.

So why would it be a violation of the open meeting law for them to sit in there and listen to what happened as opposed to read about it the next day or whenever the minutes are prepared to which the person I was talking to said, well, yes, that raises a very good question. But we still think -- and the issue -- what she said was the concern is that the A.G.'s office doesn't want things decided in subcommittee meetings which while they are, you know, the public knows what they are and knows what's happening and, you know, they are agendized and all of that, they are not the same as the general city council meetings. They are not as attended and they are oftentimes held at a different kind of day. We held our meetings at night to make it more available to the general public.

And so they recommended against having a fourth member of council sit in on a subcommittee meeting. The argument being that you are collectively acquiring exchanging facts if the four of you are sitting there, even if only three of you talking about them, you are having facts presented to you and the collective acquisition of facts. I guess along with the Attorney General's office, I would recommend against having a fourth member of council or a fifth or sixth or seventh attend a subcommittee meeting, just to avoid any possibility that somebody will come back and say, well, wait a minute. That constitutes a quorum and you should not have done that. After all, you can read about it in the minutes the next day.

[Time: 03:07:45]

Mayor Lane: Yes, Vice Mayor.

Vice Mayor Smith: Question, would the same restriction apply attending a commission or a task force or whatever if four councilmembers sat out in the audience to -- at a TDC meeting, those issues do not necessarily come before council, but sometimes they do.

City Attorney Bruce Washburn: They often do. Here's my analysis on that. It's just like four of you reading a newspaper, all reading the same newspaper. You are all getting the same newspaper. It's not deliberation because it's not a collective acquisition and exchange of the facts, in other words, you are not collectively getting the information. I think and I thought about this. I think that that's all right.

It gets more problematic if someone gets up and speak. If any of you are planning to address a board or commission meeting, please call me first so we can discuss it. But the -- I think that that's all right, and, plus, it's part of your function as councilmembers, I think, to, you know, get this information and,

you know, know what is going on at that -- at that level. So -- and it's all in public, everybody else is hearing the same thing that you are hearing.

So I think that's all right.

Next. Yes, sir.

Mayor Lane: Maybe a little bit different medium, because we at one time talked about whether or not if one of us wrote an article and, of course, we all saw the position, it's not deliberations but it's a communication of a position, that could sort of be communicated to certainly, a quorum, but my question really went to -- and I think that that was considered a public forum, one individual making a point and deliberating or arguing a point in public, and that, from what I understand is okay, and, of course, that happens all the time too. But the other one is a blog, where three or more may engage in a conversation back and forth on something that comes before us.

City Attorney Bruce Washburn: All right the first instance, I will address that because they changed the law to make it explicit that that sort of thing is all right.

Mayor Lane: The newspaper?

City Attorney Bruce Washburn: Yes. I will talk about that in a minute. Okay. Here's the analysis on the blog. And, again, we will be talking about what they do allow in that kind of thing, where they expect politicians to be addressing the public. But I think that if you actually were having a back and forth exchange among councilmembers in the form in which four councilmembers, the quorum of the council could see it happen, that that would probably -- that that would not be permissible. And I tell you what, I will address that. I will run to the next two slides and then I will get to that one.

Vice Mayor Smith: Mr. Washburn, if I can bring you back. I almost thought okay, you are right, we never would make a speech 59 a tourism -- or at a commission or a task force but there is one situation where we clearly would be and that's the DRB where one of us from time to time serves as chairman. Would your advice be that you never have three other council people at DRB meeting? I just thought I would complicate your life a little.

City Attorney Bruce Washburn: Um, let me think that one through. My -- you know, kind of my gut reaction is the fact that there's one councilmember sitting up there should not change, it's still one person, but let me think that one through and I will get back to you. That's an excellent question.

[Time: 03:11:44]

City Attorney Bruce Washburn: Next thing I wanted to address is executive sessions. Again, this is out of A.G.'s handbook. The A.G. points out that in executive sessions that straw votes are not allowed. In other words, you are not supposed to go in there and decide what you are going to do have a full discussion about it and then come out and do it and not say anything in public about what you are doing, however, obviously, you can have a full discussion about whatever you are allowed to

discuss in an executive session. So I think what the A.G. is saying, they don't want you just on those matters sitting there raising your hands and making a full determination of what the vote is going to be.

I'm going to say from my experience in executive sessions, usually if you are having a full discussion, it's month the hard to discern what people's positions are, but in any event, the other point I wanted to make is that under the executive session law there are three situations in which, in fact, you are expected to reach an opinion and give direction to your attorneys or your staff and those are situations where you are discussing litigation, contributes that are being negotiated or possible -- or terms for acquiring or disposing of real estate. If you think about our executive sessions that probably covers about 90% of them. The vast majority of time and I went back and just did a quick survey of the -- because, you know, every executive session we say what the conditions are under which it's permitted and they are almost all one of those three. And the law is very clear that if you are supposed to be giving direction to the staff or the attorneys in those situations, and I think that it only makes sense, just like when we are out here and I will talk about that on the next slide, when you are supposed to be giving direction to staff, that you do take a show of hands. I mean, it doesn't make sense for you to be allowed to give direction but you have to do it in an obscure way or you don't make it perfectly clear what the four of you or five of you want to have happen. So in kind of applying, gee, shouldn't common sense prevail sometime.

Mayor Lane: But if I might, Mr. Washburn, isn't that we are more or less requesting for the most part more information to continue a discussion on something, where final action, where action might be given after deliberations and discussion on the issue?

City Attorney Bruce Washburn: Yeah. The direction to staff, I mean, it's things like, yes, go out and you can offer this amount of money to settle this case, but the final legal action still has to be taken out here, when you vote to, you know, approve the settlement agreement. The same thing on contracts and the same thing on real estate.

Mayor Lane: And the same thing for executive session, versus a work study.

City Attorney Bruce Washburn: Yes.

Mayor Lane: We are doing this in open but there's no final action involved here.

City Attorney Bruce Washburn: Which is the next issue I wanted to get to which is giving direction to staff in an open meeting.

Mayor Lane: We are working well.

City Attorney Bruce Washburn: I know, it's great. We did not plan this in advance. Direction to staff issue. And, again, I think that as I was saying, that if you are giving direction to staff, it only makes sense that you be able to make explicit, exactly what the sentiments of the council are, but, again, just to remind you that when we agendaize matters for direction to staff, it's always assumed that

there will be some legal action that will be taken by the council. In other words, if you give staff direction to sell a tent, the sale of the tent actually has to be approved -- presumably would have to be approved by council and council could always change its mind. So nobody should -- you know, nobody who is watching that direction to staff should ever take that as a final action on which they should predicate their own actions as a final matter.

Now, I want to talk about public forums which gets to the issue that you were talking about, because -- the way this came about, I think it was an A.G.'s opinion that said a number of years that it prohibited councilmembers, politicians from making statements that would be understood by their other politicians to be their position on matters that were going to come before the council. So they weren't supposed to be making statements in public. Well, of course, that's completely antithetical to the whole idea of being politicians and interacting with the public and, you know, how can the public know whether or not you are doing what they elected you for and whether or not they want to vote for you again if you are not going to tell them what their your position is and have those kind of interactions. So the -- they changes the statute to say that -- that it's not a violation of the open meeting law, if a councilmember expressed an opinion on an issue that could come before the council, either at a public venue, or through the media or form of public broadcast communication if -- and there's a couple of big ifs, the opinion or discussion is not principally directed at or directly given to another member of the public body and there's no concerted plan to engage in collected liberation to take legal action.

The second point I read to mean if you are north just doing it as a way of -- if you are not just doing it to get away from the open meeting law, if it's an attempt to communicate with your constituents. To me, of the catchy part about this is directly given to another member of the public body. And the situation I think -- I think about is, you know, campaigning is coming up. You have candidate forums. You have -- you know, you have people -- you know, up there, talking exactly about things that are going to be coming before the council and sometimes they will have somebody else who is running for council, sitting right next to them. And -- and so I think -- I think what this means, though, is that -- you know, obviously, you are going to be expressing your opinions to the public body and this person is sitting right next to you. I don't think that it should be a problem if you turn and say to them, you know, I hope you understand what I'm saying, when it's out there in public, because the idea is you are not supposed to be doing this in a way that, you know, you are hiding from the public what you are doing and what you are saying and I have advised you about this before.

What you should absolutely not do is start having a discussion between the councilmembers about well, listen, you know, if you would agree to do this, then maybe I would agree to do that, but -- don't do any kind of that type of bargaining, or anything that reaches your decisions. Express your opinions to your constituents, that's fine. Engage in some sort of colloquy about what you will do as far as councilmembers that should probably be saved for public meetings.

And then the issue about the blog, you know, again, that's -- I mean, clearly if you are having an exchange on a blog with another councilmember and you know that other councilmembers are likely to read that blog or know that they will be reading that blog, I would not do that.

I would stay away from having exchanges with other councilmembers on a blog or any place else that's in that kind of public forum because that sounds a lot like giving an opinion directly to the other member of the public body.

[Time: 03:19:27]

Mayor Lane: Yes?

Councilwoman Milhaven: The blog by itself is fine. It's the exchange -- the response and the exchange to the blog that you are concerned about?

City Attorney Bruce Washburn: Yes, I'm a little hesitant about giving too strong an opinion on this, because, a, I have not spent time thinking this through, and b, I don't blog. I don't read blogs. I'm not sure I understand exactly how they work. Sorry to sound so 20th century.

Councilwoman Milhaven: We all have. So we run and we have websites that are open to anybody who wants to open up the website and we would post an article on that website which is a blog. And so it would be available to anybody would wanted to see it, similar to a newspaper or Facebook, and then -- what was the other -- and then -- or we would take the same article and put it in an email and blast it out to our -- you know, our constituents.

City Attorney Bruce Washburn: I think all of that is fine, it's the exchange --

Councilwoman Milhaven: I don't like what you said.

City Attorney Bruce Washburn: I would stay away from that. Okay.

Let's talk about getting things on agendas. Because just to remind you that proposing putting something on an agenda, you don't have to do that in public. You can talk about putting something on an agenda, even though its which you will take legal action and it's not something that has to happen in public. The A.G. has given that opinion and then given you 15 cautions about what you should be careful of. You have to be cautious to communicate on the topic only. Don't communicate the legal action you want to take.

And probably the safest way to do it is to have somebody else do it, which brings me to the next slide, which is just to remind you what your own rules are for how matters get on our agendas. And there's three ways you can do it. You can make a motion during mayor and council items to put a matter on the agenda. You can ask the clerk to agendize, and whether to agendize an item at a later time. Again, that's just putting something on there without expressing an opinion on the merits of it. Or four councilmembers can ask the clerk to put an item on the agenda. Probably the safest way to do that, is if you don't poll other councilmembers personally, you can either have the clerk do it or I'm happy to do it. Usually it's the clerk, but I'm happy to do it as well, call people up and find out if they are okay with putting your item on the agenda. That's the safest way to do it. It doesn't mean that you can't, as long as you watch out for all of those admonitions about only communicating the topic

and not communicating your opinion on what should be done and you can talk amongst yourselves but there is a safe alternative.

Next I want to talk about texting during meetings. The Attorney General has recommended that caution regarding electronic communications during meetings. He reminds us that deliberations include an exchange of facts among a forum. And I -- I agree with this. It wouldn't matter if I didn't because the Attorney General thinks it. If you are sitting up there and you text one another, or you text to the quorum some fact, then that's a communication that you had not during a public meeting because, you know, if the public can't hear it, it's not during the public meeting. They don't necessarily have the right to participate but they have the right to hear what's happening. So texting during meetings, you know, clearly information to a quorum, would violate the open meeting law. And the Attorney General stated that he believes that texting, note passing, whispering, et cetera, even if it's only among two members undermines public confidence. But it's not illegal. It doesn't violate the open meeting law, but then I would remind you of your own council rules which is that during open meetings, your electronic devices should only be used for accessing stored information on the device that's on the city's electronic network. In other words use it for accessing information and not for making communications.

And during executive sessions you are not supposed to be using your electronic devices at all. So iPads and cell phones are not supposed to be in use. Those are the council's internal rules. Okay.

So those are the -- those are my real life open meeting law issues that I wanted to bring up before I go on to gifts are there any other wonderful conundrums that I can noodle over in my spare time or questions about these open meeting law issues? Okay.

Then let me talk about gifts for a minute. This will be a lot like the standard presentation, except I will try and make it a short and sweet as possible. The -- there's actually two provisions in the Scottsdale revised code that applies to gifts. One is in the council code and then there's Section 14-135.

First, I will talk about the one in the ethics code. The ethics code prohibits -- and these are the easy obvious ones you can't solicit gifts for personal gain. You can't use your position as a councilmember to say, gee, you know, I would be very interested in your project if I only had a new Cadillac to drive around in. You can't accept payment for rewards or services. That one is a little tricky because, you know, sometimes people will say, gosh, you did such a great job on this, you know, I think you do such a wonderful job, I would like to give you blah, blah, blah and buy you blah, blah, blah, if you think that, that's a gift that's a reward or payment for services and you are not supposed to get any extra compensation. And you are also not supposed to accept any gift that's reasonably construed as an attempt to exert improper influence and that's obviously a matter of judgment -- that's obviously a matter of judgment.

I'm sorry. I skipped over one item here. I will circle back to that. Under SRC2-50, that's who you are getting gifts. You are not supposed to solicit or receive gifts in a general council -- like the zoning attorneys you see all the time. Those are people that even if they don't have a particular matter in

front of you today, you know they will next month. Or from anyone who has a specific situation that is involving city decision making or permitting processes. And you are just absolutely flatly prohibited from accepting gifts from them, unless they fit into an exception that I will talk about in a minute.

So, for example, if a zoning attorney says I've got this project, I would like to take you out and buy you lunch while we talk about. My advice is, buy your own lunch. Just because you are not -- that's a gift. There's no dollar limit on the gift. It's not like you can take gifts under \$25 from them. It doesn't matter how much the lunch costs. You are not supposed to take the lunch.

The exceptions are that entertainment, hospitality, transportation, and token mementos directly associated with events that you are attending as a representative of the city. And we have talked about this before. What does it mean to be a representative of the city and there's -- I think that there's a continuum, and the -- you know, you are obviously a representative of the city if you are on the agenda or on the program, you are standing up there and you are introduced and, you know, I'm councilmember so and so and I'm here to address you. Thank you so much for being here and everybody applauds and okay. Clearly you are there, you give a 15-minute speech and you sit down and eat the rubber chicken. Clearly you are there as a representative of the city.

So now let's take it down a notch. You are not actually on the program, but you are there at a table that's, you know, says stiff council on it. You have your badge on that says, hi, I'm councilmember so and so. Well, then, you know, there's a good chance that you are there as a representative of the city. That's -- it's looked at that way and everybody meets you and sees you.

Then you get down to the other end of the paradigm where you are wandering around with a drink in your hand and you don't have a name tag on and, you know, you tell people that you are, you know -- that you are -- if somebody asks what do you do, you say, oh, I'm a city councilmember. In the daytime, I fight crime and night time, I'm the city councilmember. That's the other end of the paradigm and let's face it you are just at the party. And this is a matter of common sense and discretion and judgment on your part.

And on any of these matters if you have any questions about them, we are here to help, please call me. I'm, you know, happy to discuss any of these with you, to try to help you think through how they should work out. If you do accept a permissible gift, and it has value of greater than \$25, then you are supposed to use a declaration of gift form and have those filed with the city clerk. Unless -- unless it's something that's been given you to that is Section 14-135 does not require you to report, and Section 14-135, that's the one that applies to everybody at the city.

So all city employees, all the councilmembers -- all the city members and it says you cannot solicit for personal gain, and take payment in reward, and -- or take things that are reasonably construed to exert improper influence but there's a bunch of things that are not gifts and so therefore, you can accept these and these are things that they have to reflect legitimate public duties or purposes. And this is the attending of events that are sponsored by the city or funded in whole or in part by the city or you are going as an official representative of the city.

And other things tokens after appreciation accepted on behalf of the city, food if you share it with other people or if you ever -- if you get something and -- we have talked about this before, if you are in a situation where they want to give you something and it's not just a token gift but it would be embarrassing to refuse it, you can accept it and then give it to charity right away and then document that you have done so.

But the -- the matters where the city is either sponsored, the event -- the sponsor of the event or it's funded in whole or in part by the city, you have -- each of you have should have at your position there, at your table, a list of this year's events that fit under this qualification. These are the ones we know about now. There are others that might be added because others could be funded during the year. If you have any doubts, you can contact me or contact Steve Geiogamah. If you contact me, I will just call Steve. I'm happy to do that. That's where I got this list.

And so these again are events that -- you don't even have to be a representative of the city because the city is a sponsor. You can accept the tickets but the tickets have to come either from the city or from the sponsor. They can't come from the third party. Let me point out that it doesn't include all events that take place on the city property. Because the city is not a sponsor or funder of all the events that take place on our property.

The last point I want to make there are two forms that you have to fill out at the beginning of each year. One is your personal interest form, that you can get from the clerk and declare the personal interest and the other is a form that you should have there, that basically acknowledges that you have done the training and you can sign that and get that turned in today and we will get that taken care of. So that's my presentation and I would be happy to take any questions.

Mayor Lane: Well, thank you, Mr. Washburn. I have think we asked some questions along the way, unless there are any additional ones from the councilmembers. I see none. I thank you very much for a great presentation.

ADJOURNMENT

[Time: 03:32:46]

Mayor Lane: I would accept a motion to adjourn. It's been seconded. All in favor of adjournment, please indicate by aye. We are adjourned. Thanks, everybody.