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#### **CALL TO ORDER**

[Time: 00:00:04]

Mayor Lane: Good afternoon, everyone. It's nice to have you all here. I want to call to order our January 24<sup>th</sup>, 2017, city council meeting. It's approximately 5 minutes after 5:00. And I will start with a roll call, please.

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Here.

City Clerk Carolyn Jagger: Vice Mayor Kathy Littlefield.

Vice Mayor Littlefield: Here.

City Clerk Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

City Clerk Carolyn Jagger: Virginia Korte.

Councilmember Korte: Here.

City Clerk Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

City Clerk Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

City Clerk Carolyn Jagger: David Smith.

Councilman Smith: Present.

City Clerk Carolyn Jagger: City Manager Jim Thompson.

City Manager Jim Thompson: Here.

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.

Mayor Lane: I thank you. Just a couple of items of administrative business. We do have cards if you would like to speak on any of the subjects or for public comment. It's the white card the city clerk is holding up over her head to my immediate right here. And if you would like to give us some written comments that's the yellow card you can fill out for us to read during the course of the proceedings.

We have Scottsdale police officer, Tom Cleary and Jason Glenn, they are directly in front of me if you have need of their assistance. And it's for staff and council access only and the rest rooms are available for us here on the south side of the Kiva on our exit sign.

**PLEDGE OF ALLEGIANCE**

[Time: [00:01:23]

Mayor Lane: We will start with the Pledge of Allegiance and I would ask that Vice Mayor lead us in the pledge.

Vice Mayor Littlefield: I pledge allegiance to the flag of the United States of America, and to the republic for which it stands: One nation under God, indivisible, with liberty and justice for all.

**INVOCATION**

[Time: 00:01:53]

Mayor Lane: Thank you. We have an invocation here this evening from Pastor Josh Newton of the First Southern Baptist Church of Scottsdale. Pastor, if you would.

Pastor Josh Newton: Let's pray. Dear Lord, we thank you so much for who you are, Lord, for bringing us all here today. God, you are holy and you are good and Lord, we can count on you. Lord, I just want to thank you so much for the men and women in this room, Lord, that love your city, Lord, that want to serve God and to make this city better. I pray that you just continue to bless Scottsdale, Lord, as you have. And we pray that we be given wisdom by you, that we seek you for wisdom and counsel, Lord. I thank you so much for this opportunity, and ask that you continue to bless it. In Jesus' name, amen.

Mayor Lane: Amen. Thank you, pastor.

**PRESENTATIONS**

[Time: 00:02:54]

Mayor Lane: For presentation today, we do have a presentation to show our appreciation of the Salt River Pima Maricopa Indian Community Tribal Council with regard to gaming grants. And Brad Lundahl is here, our government relations director.

Government Relations Director Brad Lundahl: Good evening Mayor, Vice Mayor, Councilmembers, Mr. President, Mr. Vice president and Councilmembers. I'm very happy to be here tonight to discuss appreciation of our good numbers, and the tribal gaming grants that they make available to us each year.

I wanted to start briefly by going over some history and how we got to this point. The grants that we receive originated back in 2002, under the guise of Proposition 202, which was also the Indian gaming preservation self-reliance act. Prop 202 established what we know today as modern gaming and one of the provisions of the proposition was that 12% of the gaming revenues would go back to the communities in Arizona. The grants that we receive can be either directly to the city of Scottsdale or they can go to community programs in and around the city and throughout the various Arizona

communities. Total that we have received so far from our neighbors, the Salt River Maricopa Indian community since the inception of 202, for Scottsdale city programs, we received \$4.6 million, and \$8.3 million to communities surrounding Scottsdale. So a total of approximately \$13 million in that time period.

I just wanted to give you some examples of some of the programs that are funded with these grants, in terms of assistance to low-income residents. The funds are used for emergency shelters, rent assistance, dental assistance to senior citizens, support for regional homeless shelters. In addition, there's nutrition programs such as meals for senior citizens, and the home delivered meals commonly known as meals on wheels. In addition, there's snack programs for after-school programs, and brown bag food programs available to citizens. Other uses have been alcohol and drug education programs for our youth and after-school tutoring.

Additionally, these funds have been used for various supporting programs. An example of that is sport programs for disabled youth. So these were just some of the examples. There's a long, long list. I would be happy to share it with you at any time but knowing our time is limited, I just wanted to highlight some programs and show the usefulness of these funds.

So as I mentioned tonight, we have our guests here. So I would like to introduce President Delbert Ray, if you want to come on up. Vice President Martin Harvier, Councilman Thomas Largo and Councilman Archie Kashoya.

[Time: 00:07:18]

Mayor Lane: Number one, I ask Council to maybe join us for a group picture, but on the presentation, I would like to say a few words first, that we are delighted to have you all here, and thank you very much for coming and thank you for all of the work that we have done together. I have think we have as communities a great relationship and we very much appreciate you and we hope we serve as the same for you.

Off microphone comments

[Time: 00:09:24]

Mayor Lane: Thank you very much, Mr. Lundahl. Our next order of business is public comment and this is reserved for citizen comments regarding non-agendized items and no official council items. Speakers are limited to three minutes each and a maximum of five speakers. There is one request to speak for public comment and it's Mr. Mark Stuart. Come forward.

Mark Stuart: I need a little help with this. So I don't know if you control the videography or how that works, but if you could ask whomever is doing it to help out we'll all --

Mayor Lane: I'm sorry, Mr. Stuart, what is it that you are asking?

Mark Stuart: So on the video the last time I was here, you had the sign but they didn't come across. Just do this.

Mayor Lane: Not that we are crazy about seeing you. We don't want to block you from the camera either. So --

Mark Stuart: All right.

Mayor Lane: We'll see what we can do.

Mark Stuart: Are we live? All right. I'm Mark Stuart. Save our Preserve, ballot initiative, 2018, it's time for the monthly update. We are still killing it. It's been another great week. We had more than 50 volunteer petition circulators and we're growing. I can't even get out to meet people and give them the petitions fast enough. At this pace, we will have more than 1,000 volunteers by September. That will help us to easily qualify for the November 2018 ballot. If you would like to volunteer, I just need you to agree to get 10 signatures or more and just send me an email at this address, which was wrong last time, by the way, but I have corrected it. And we'll get back in touch with you. Here's the contact information again.

Signs! Are everywhere. This new sign is really better than the one we had last time we were here, and when they were put together, it's unbelievable how Scottsdale voters actually start following you around. So if you can see this sign here, [Scottsdalevoterssavemsp.org](http://Scottsdalevoterssavemsp.org). And people see, this and Scottsdale voters separate out and they come looking for us. Here's our original sign. So put together, it says Scottsdale voters sign this petition, save our preserve. All you marketing types will appreciate that. Here's a picture of the sign just for the presentation. All right.

The Desert Discovery Center is officially dead inside the preserve until the voters decide this. We're very close to getting our SB-1487 investigation. We have got some really good leads inside the democratic House of Representatives and some democratic senators who appear willing to help us. So if anyone is aware of using Scottsdale resources to advocate for building in the preserve, if they could please contact me or send an email to the Arizona attorney general's office. This is how they got Tom Horne, if you guys remember 2014. It's quite serious. It's quite -- it can be quite deadly to your net worth.

And last but not least, we're following in the footsteps of the traffic justice ballot initiative November 2015 in Tucson. The citizens all volunteers overcame a recalcitrant Mayor and city council and got 60,000 volunteers and banned red light cameras in Tucson. If they can do it, we can do it, because we don't even need that many.

And I will leave you with this one parting thought, Mayor Lane, if you could give me 7 seconds for this. I'm thinking that either Miss Littlefield or Miss Milhaven will know where this quote came from and next time I'm here for the next monthly update, I will give you the answer. This is a good message for everybody in Scottsdale, especially if you have children or grandchildren or if people are saying, you just can't do it. Thank you so much for your time and remember sign this petition. Save our

Preserve.

Mayor Lane: Thank you, Mr. Stuart. That is the extent of public comment at this time. There is an opportunity at the end of the meeting if, in fact, it's needed. All right.

**ADDED ITEMS**

[Time: 00:14:31]

Mayor Lane: Next order of business is we have some added items. The supporting materials for item number 6 will be added to the agenda less than 10 -- were added to the agenda less than 10 days prior to the meeting and require a separate vote to remain on the agenda. And the request to accept the agenda as presented or to continue the added item to February 7<sup>th</sup> regular meeting. Do I have any questions on that or otherwise I accept a motion to accept the materials as presented.

Councilmember Korte: So moved.

Councilwoman Klapp: Second.

Mayor Lane: The motion has been made and seconded. We are ready then to vote. All those in favor register your vote. Aye. It's unanimous then. Accepted as presented.

**CONSENT AGENDA**

[Time: 00:15:12]

Mayor Lane: On the consent items we have a request from Councilman Phillips to have item 12, the Mustang transit phase 2 project construction bid award for comment and separate vote but there's no need for a staff presentation. I think it would behoove us to have some staff presentation on this item, just so we know what the separate vote is about -- or the public knows what the separate vote is about. So that item will be attended to separately.

But I would -- I would -- removing 12 from immediate and actually taking it to the regular agenda. We will have consent items 1 through 21 absent item 12, unless there are no requests to speak toward it, for any other comments, otherwise I will accept a motion to accept those consent items absent 12.

Councilman Phillips: So moved.

Councilwoman Klapp: Second.

Mayor Lane: The motion has been made and seconded. All of those indicated, aye for approval and nay against. It's unanimous for those items on consent. If you happen to be here for the consent items as indicated, you are free to stay with us or to exit quietly. Now if we could -- if we could have -- oh, we are back to one, is that what you're talking about? Yeah.

**ITEM 12 – MUSTANG TRANSIT PHASE 2 PROJECT CONSTRUCTION BID AWARD**

[Time: 00:16:51]

Mayor Lane: So item 12, is there someone on staff that can give us a little bit of a rundown on 12? Just for the record, I will indicate that item 12 -- I would ask if you could exit quietly so we can proceed with the rest of the meeting. Thank you very much for your cooperation. Item 12 is a Mustang transit phase 2 project construction bid award and this is 10695, authorizing construction bid award 17pb006 to Hunter Contracting Company the lowest response bidder at the unit price bid of \$2,795,830.73 and this is the vicinity of 90 Street and Mountain View Road and Shea Boulevard. Could you give us a rundown on that?

Public Works Director Dan Worth: I do not have a prepared presentation. But just to give you a little bit of context. This is a construction award for a project that has been approved and reapproved in our capital improvement program for several years now. We have previously been to council with actions for the award of a design contract, which was approved for the acquisition of right-of-way. The acquisition of right-of-way was about a year ago.

At that point in time, a member of the council had questions about a roundabout in particular that's in the design of this project. We had an extended discussion about the roundabouts but you ultimately approved the acquisition of the right-of-way. This is the next step. This is the actual award of the construction contract for the bulk of the work that's previously been an award for a phase one that covers a fairly small portion of the total project but this will be the bulk of the work.

The project is transit and traffic improvements primarily on 90<sup>th</sup> Street between Shea and Mountain View, the vicinity of the hospital, Mustang library, shopping center all in that area. And it does include a roundabout, as I mentioned a moment ago.

[Time: 01:19:25]

Mayor Lane: Thank you very much, Mr. Worth, on that. And so there's not been any change as far as anything that has been previously approved?

Public Works Director Dan Worth: Mayor, that is correct.

Mayor Lane: Very good. Thank you. Councilman Phillips do you have any comment or question about this?

Councilman Phillips: Yes thank you, Mayor and that's the reason I pulled it and that's why I said we didn't need a staff presentation because I was going to point out the same thing that Mustang transit phase 2 project construction bid award and congratulation to hunter contracting is really about putting a double lane roundabout in front of Mustang library and I'm adamantly opposed to this since the conception. The ones in the airpark, the same thing. We have four more in the works when all of

these are done, we will give up \$40 million. I don't think it's a proper use of the city's money especially during these times.

So that's why I have been opposed to it and I will continue to be opposed to it. So I pulled this for a separate vote. Thank you.

Mayor Lane: Thank you, Councilman. Okay. So with that settled matter, it's a separate item, I will accept a motion to approve or disapprove, whatever the case may be. Councilwoman Milhaven.

Councilwoman Milhaven: So I will go ahead and make a motion to adopt resolution 10695 authorizing the construction bid award to hunter contracting and the amount is 2.7, \$2,795,830.73. I'm not sure where \$40 million comes from. And also comment to say that research shows in our personal history with roundabouts demonstrates that advertise safer and there are fewer accidents and the accidents we have cause less damage and I think this is a great project for our city. Thank you.

Councilmember Korte: Second.

Mayor Lane: Would you like to speak to it?

Councilmember Korte: No.

Mayor Lane: All of those in favor aye, and opposed a nay. Aye. The motion passes 6-1 with Councilman Phillips opposing. Thank you very much and thank you Mr. Worth for that. We will proceed to our regular agenda items.

## **ITEM 22 – PALMERAIE REZONING**

[Time: 00:21:33]

Mayor Lane: The first item is the Palmeraie rezoning which there has been a request to move item 22 to the February 7<sup>th</sup>, 2017 meeting and it's at the request of the applicant. And I understand that the first continuance doesn't even really require a vote from us, does it not?

City Clerk Carolyn Jagger: Your Honor, only because of advertising, we need the formal vote just to move it. It's a public notice thing more than anything.

Mayor Lane: Got it. Very good. Otherwise they get one freebie, right? All right I would accept a motion to move this item to the February 7<sup>th</sup>, 2017, council meeting.

Councilmember Korte: Mayor, I move to continue item number 22 to February 7<sup>th</sup>, 2017.

Councilman Phillips: Second.



Mayor Lane: The motion has been made and seconded. Seeing there's no further comments on this, then please ready then to vote. All those in favor say aye and register your vote. And nay if it's opposed. It's unanimous to continue this item to February 7<sup>th</sup>, 2017 council meeting.

**ITEM 23 – THUNDERBIRD FIELD II VETERANS' MEMORIAL DONATION AND MAINTENANCE AGREEMENT**

[Time: 00:22:45]

Mayor Lane: Next order of business on the regular agenda is item 23, which is the Thunderbird Field II Veterans' Memorial donation and maintenance agreement. Is the presenter here? He's moving to the podium here, it's our aviation director, Gary Mascaro.

Aviation Director Gary Mascaro: Good evening Mayor, members of the Council. Thanks for having me back to discuss the Thunderbird II Field Veterans Memorial project. I'm here today to give you a little update per your request a couple of months ago. You asked us to go back and do an additional valuation on potential funding sources to complete the structure, which would be incorporated in our new terminal area, redevelopment project.

So with that, I just want to give you a little brief update as you are aware, October 19<sup>th</sup>, 2016, the airport advisory commission unanimously approved the contract between the city of Scottsdale and the Thunderbird II Memorial Inc. nonprofit to allow them to donate the aircraft to the city of Scottsdale. In return, they would maintain it and such.

On November 14<sup>th</sup>, we brought this to the city council, requesting authorization of the contract and the use of potential funds to build the structure that surrounds the airplane and which, in turn, the aircraft would be donated. The council did request for staff to bring back a plan to outline a little bit about the itemized costs and funding options which may include some public art, tourism development funds, general fund contingency, any type of funding source that is possibly on the table.

So staff discussions incurred after that meeting, particularly the executive team of the city manager's office had discussions with the public art. Public art has the \$180,000 that has been committed for the art portion of the total project costs already, for the terminal area redevelopment. And the memorial shade plaza project elements were not considered at this time public art, based on the results of the conversation, the assistant city manager had and the public art director.

On December 20<sup>th</sup>, we did bring this item to the tourism development commission with the support of Steve Geiogamah and Mr. Stockwell. The TDC denied the potential for using tourism development funds with a 4-3 vote to support the design and the construction of the memorial shade plaza in the amount of 412,500.

And, again, I would like to stress that the \$412,500 is a budgetary number. It is not the exact costs. We are still working through the process of the design.

I wanted to give you a little update on where we are at, very briefly on some updated photos. As you can see, this is in front of the new business center that we're proposing to build. You can obviously take a look and see where the potential aircraft would be with the shade. The cost for the shade, as you can see, the shade is the three-sided -- it's an exterior item but you see the shade is covering it and the structural integrity to hold up that aircraft. This is another picture looking up close of the aircraft. It's obviously outside, where there's opportunities for people to go enjoy that memorial. This will be plaques and such around that, but that hasn't been figured out yet. This is a view from actually inside the building. The building will be two levels. So on the second floor, there will be a stairwell and I will have the ability to look at the aircraft from that angle. Obviously this is very conceptual still. Things will fine tune as we work through the project if this is proposed to continue to go through.

I wanted to go back real quick envision that if we decide not to go ahead and support the aircraft and the building -- the funding of the shade, what we would simply do is take that wall that's facing to the right of the slide, and pull it all the way back towards the building, and pull the landscaping back. So it's a very simple fix if we decide not to do the aircraft. So there's no major impacts in the design. So that's why we are able to continue with the design process as we are deliberating with the decision of the Thunderbird II memorial.

Very simple, I shared with you last time the key considerations of the contract award and the financial funding is the donor will pay for all the costs associated with the purchase and the restoration of the aircraft. It's about \$120,000. And then they are also going to pay about approximately \$50,000 is their commitment to make the monuments around the display.

The proposed funding options for the design and the construction may include all different sources, as you are aware. The donor must have the entire costs of the aircraft either committed or on deposit with the contractor who owns the aircraft by April 1<sup>st</sup>. That's a critical piece for us in order for us to continue moving with design. If we wait too long, then we will have backtrack, which will delay the whole project and then impact our current tenants sitting ideally by waiting to get into the hangar. It's systemed about \$3,000 annually, based on some information we received and then the city, a/k/a the Aviation fund will pay for the landscape services to surround it. We will make sure that the grass is maintained and such underneath.

Here is the funding breakdown of the dollars and the cents of what we have today. Obviously the question is the highlighted item, the \$412,500. I want to stress once again, it's a budgetary number. We will be bringing back -- it should be noticed on the action, the final cost and the final decision to this council on what the dollar amount will be specifically for that shade.

What we're asking tonight in the action is to authorize some sort of funding to continue this project moving. So in turn, the foundation, the Thunderbird memorial folks can go ahead and then raise the money to go ahead and get the aircraft. So it's kind of the cart before the horse in the scenario. You will get another crack at the apple.

When we bring the contract award for the whole construction, the whole \$26 million it will be broken out and what the cost of the shade would be and your recommended funding which certainly you will

have another opportunity to make adjustments necessary. You will see that the Stearman is about \$120,000. The \$50,000 I mentioned on the additional monument dismays and then there's \$180,000 that is allocated right down to the public art program, which they are working on with an artist to do a design for some interior architectural work, on the flooring.

With that, I will be happy to answer any questions. I also want to point out that Mr. Ziomek is here, he's the president of the association, and he's here to answer questions as well.

[Time: 00:29:53]

Mayor Lane: We have some cards to speak on this item. So we'll go ahead and start with that, Gary. We will start with Billy Walker.

Billy Walker: Mayor, councilmembers, I'm pleased to be here to speak in favor of your hopeful eventual vote to support this project. I'm a long-time Scottsdalian. I graduated from Scottsdale High School in 1959. I spent my entire career in aviation. I was born into a family that were aviators and during the war my father did what they did at Thunderbird field. In Wyoming, he had three civilian pilot training schools. So I'm real familiar with all that went on, including what happens at Scottsdale because I got some minor league flying at Scottsdale before it got pavement. They are hidden kind of away from things now, but they used to be the prominent part of Scottsdale airport.

So you think about all of these great veterans that had learned to fly out of Scottsdale airport. It warms your heart because they went on to do things that they haven't received the full benefit of our acknowledgment for what they did for our country and what this project does in my view is bring that to the forefront that we'll be honoring our veterans. We'll be providing a great piece of historical memorabilia that will be on permanent display, that I don't know that there's another Thunderbird airplane available anywhere but the one that's being considered was an actual Thunderbird airplane. And it's beautiful. I have even flown it myself on several occasions. So I really hope that this thing goes on, moves forward and that you will support it. I think it's great. It's great for our city. It's great for our future, for all of the things that it represents.

I had a roommate in college that his name is probably familiar to you, it's Marshall Trimble, he's the state historian. He couldn't be here tonight but he asked me to tell you that he's 100% for it. If you allow me to cast his motion in favor, there you have it. Thank you very much for your time.

[Time: 00:32:46]

Mayor Lane: Thank you, Mr. Walker. Next is Kevin Maxwell.

Kevin Maxwell: Mayor Lane, Vice Mayor Littlefield, and members of Council, thank you for the opportunity to speak to you. My name is Kevin Maxwell. I live 8601 East Cambridge and I'm a new member of the aviation council. We have monuments to Mayor Drinkwater and Mr. Scott. We also have a precedent in honoring transportation devices that have been historical in our nature as we obviously have the Pullman car at the Railway park. So this is not to be taken lightly.

What I would like to say is I support this project. I know there's lots of projects that come before you. It's a difficult decision for you to make because resources are not unlimited and all the projects come before you, I'm sure have a value to our community. This particular project, I think is an opportunity to do something a little bit different. I think it's -- it's I don't think that our citizens and people would visit our community are aware of the historical significance of the airport, and what the history of the airport has done for our community. So I would advocate that we pass this and it will be an opportunity for our citizens to say I did not know that. So it's something a little bit different. Thank you.

[Time: 00:34:20]

Mayor Lane: Thank you, Mr. Maxwell. Next is Barbara Hanson.

Barbara Hanson: Thank you, Councilmembers. My name is Barbara Hanson and I'm the regents of Major Winfield Scott D.A.R. chapter. Our chapter would like to dedicate a plaque in honor the World War II pilots who trained at the Scottsdale airport. As you know the D.A.R. is really big in remembering our veterans. So we have told Steve that our chapter of 70 members are behind his project. We're willing to help in any way that we can and we hope that the council will approve this tonight. Thank you.

[Time: 00:35:13]

Mayor Lane: Thank you, Ms. Hanson. Next is Mr. Mike Goode.

Mike Goode: Mr. Mayor, members of the Council, I'm Mike Goode. I have been here for about 18 years. I'm retired Air Force fighter pilot, Colonel. I was on the airport commission. I'm not used to being this side of the podium. For six years and I'm here to support the funding of the project. Obviously I have strong ties to the airport and to the community and its history. This project in my opinion is a memorial to those 5500 men and women who trained at Thunderbird II airfield to be perfectly honest. I never even knew the history went back that far. Thank you, Councilman Phillips for your history.

This is not just a tribute, in my opinion to my person or group, but is to all of those who served in World War II, and in follow-on conflicts. It's a reminder. It's history. It's a memorial. And I do hope that you will find the funds to support this project. As I get older, I look back and I look back at history and I look back at some of the guys and ladies that I have flown with and some of them who have given their ultimate sacrifice. And -- and I don't want that history to die.

And I think looking at this, the way it's presented, I think it will just bring back memories, good or bad, to everybody who -- you know who has served in the military and, again, I hope you will find the funds to support this. Thank you.

[Time: 00:35:13]

Mayor Lane: Thank you, Mr. Goode. Next is Mr. Steve Ziomek. Mr. Ziomek has a couple of extra cards. Steve, five minutes should do it for you?

Steve Ziomek: Maybe six. Thank you, Mr. Mayor.

Mayor Lane: You are always pushing the envelope, Steve. That would be very generous on my part. So I want you to note it.

Steve Ziomek: The purpose of my talk tonight is to update each one of you and give you information that I don't think the tourism and development commission, either fully understood with their 4-3 vote against. Before we do, that I would like to say as a veteran, you know, Scottsdale is the only city in the state, the only major city that does not have a true veterans memorial. They have the chaplain but it's kind of hidden away and it's small. This last Veterans Day I was at the city celebration at McCormick Railway Park in front of a replica of a boxcar. To me that's not a true veteran memorial. The Thunderbird field truly does that.

As far as the tourism and the development commission, these are -- these are some of the things that we have access to and we have actually spoken to. The first one AOPA is the largest aviation newsletter, 270,000 members across the United States. There's a monthly magazine, I and several of the commission are members of AOPA and that gives us access to write articles and have the thunder bird memorial in all the articles. The Stearman restoration, there's a quarterly publication called the Stearman nighing wire as a member of that organization and several of us are already members, we have access to that. There's also the Stearman annual fly-in, which it could be a possibility that we certainly would fight for to get it in Scottsdale, as well as the AOPA fly-in that was in Prescott this last year that rotates around cities this past year. That would certainly be a good project for us.

We are also members of AZBAA, the Arizona business aviation association, which has about -- which has 110 members locally. They are also part of national business aviation association and we spoke to AZBAA, the president and they are 100% behind this project and will do what they can at AZBAA to bring more visibility to Scottsdale and bring in tourism. Experience Arizona, I have personally spoken to Rachel Pearson. The vice president of communicate and government affairs and she's 100% behind us. Experience Arizona is 100% behind us. They will put us on their website and the art and cultural section.

Mayor Lane: That would be experience Scottsdale.

Steve Ziomek: Yes, thank you. And they will also help with social media and we can do P.R. with their team. Scottsdale airport, we already know that the airport is 100% behind it. They do have a quarterly newsletter, an email that goes out to 3,000 corporate jet owners around the country and we will have access to that, to promote more of Scottsdale and the airport. The national concierge association. We have talked to them. Diane Sherer is the Arizona president, the Arizona chapter president, she's 100% behind this. There's a quarterly newsletter and monthly meetings. She's also

asked us already to speak about our project to their quarterly meeting in q1 and offered membership and more access to the entire national concierge association. Again, it will bring in more tourism. American society of travel agents, we also talked to them. Mark Torpa is the communications chair. He will put us on their website and directly to the Thunderbird.org website and we'll have access and be able to put stories out to all the travel agents. They are also making a donation already to our nonprofit. Sorry for the paperwork.

Mayor Lane: Did we put six minutes up or five?

Steve Ziomek: I'm sorry.

Mayor Lane: You are running out of time.

Steve Ziomek: The hospitality association, we talked to the managing director, they are also 100% behind it. They are meetings and membership. They will introduce to the membership, all with the intent of bringing more tourism. Detonation management companies we are in contact with several of them, Colleen Huran the manager is behind this as well. She will put it in this bag of tricks, if you will, to bring more tourism and schedule it as a place for tourists to see, much like the aquarium. Others, chow baby catering is the new restaurant at the new terminal building. In talking to Didi Marza, she says they will address it and make the decorations in the new restaurant coincide with the Thunderbird memorial to help bring more people, more exposure and more tourism.

Phase two down the road, if I can have another 30 seconds or so --

Mayor Lane: You are on your extra minute now and about 30 seconds. Go.

Steve Ziomek: All right. We will talk to a project that was on the books for a while, and then with the great recession, it died. But we hope to bring it back as far as phase two and that's the Pima Air Museum, the fighter museum, which they had slated to really work and bring it up to Scottsdale before the recession. Well, we hope if this project is approved to make this part of phase two. Along with Zulu cafe, we have it. The Best Western Plus is another great way to attract people from out of town. That's the -- the hotel right there across from the terminal. They have the Silver Cloud -- the silver wings lounge which is already decorated with a lot of World War II memorabilia. We hope to get to them and really expand it and create a real tourism draw at the airport for not just the Thunderbird project, but it will be the mainstay and bring more people to Scottsdale.

Mayor Lane: Thank you, Mr. Ziomek.

Steve Ziomek: Thank you.

[Time: 00:44:42]

Mayor Lane: That completes the public testimony on this. I would ask Mr. Mascaro back to the podium. I want everyone in the podium to know, that this council has repeatedly voted to move this

forward. The only thing that's on deck right now is where are we to get the money for it. And we have investigated through the course of the last several weeks a number of things. The last direction to staff was really identical to what on item 23, number 2 which is to direct staff on the desired city funding source for the design, installation and construction costs of the memorial shade plaza and related display Exhibit, and return to council for final budget approval.

My question out of the box is, okay. It looks like you have some indication here, but that's what I was looking here. It says as to whether there was a response to that.

Aviation Director Gary Mascaro: Yes, Mayor, members of Council. We have a little technical difficulties. That was the actual slide I was looking for. That would be towards the end. I wanted to present a couple of ideas of where pools of money or may not be for this. I'm going to generally outline those and lean towards my subject matter experts over there. Did you just see that slide come up?

The first item is the original request of the potential to use the general fund subsidy from the unreserved fund balance. According to the information I have received financial policy 17 says that any year end surpluses will be transferred to the general fund capital improvement program unless otherwise directed by the council. So this is obviously an option.

Option b is tourism-related capital projects and from the tourism fund development carry-over. Any unused funds may be allocated for one-time tourism-related purposes except for marketing. As you know, the tourism development commission made a termination of a 4-3 vote not to support this at this time. And then the current balance, based on the information I received from the treasurer's office is about 7.5 million.

And then the third, obviously is the public art. We put N.A. in the balance. Some information I received today says that you could decide that the unfunded portion of this project constitutes art work under the public art ordinance and allocate funds from the art in the public places capital account for this project. This is unlike the other accounts and doesn't have an unreserved balance and the current funds are committed towards existing projects, however if the city council desires, staff will work with the Scottsdale public art to allocate funds for this.

And the last option is we can obviously request that the memorial go ahead and fund the whole project within the time frame as appropriate. So those are some options that the city came back with based on further discussion.

[Time: 00:47:57]

Mayor Lane: All right, well thank you very much. That was a critical component of what you were looking to see for sure. I just have a couple of quick questions. I know other councilmembers also have some questions but let me just ask when we are talking about the tourism funds here for capital projects, we are talking about the carry over funds, the uncommitted carry over funds in the capital project side of these TDC funds.

Aviation Director Gary Mascaro: I would like to defer that to Mr. Stockwell.

Assistant City Manager Brent Stockwell: Mr. Mayor and members of the council, yes, that's correct.

Mayor Lane: And you are talking about CIP balance fund outstanding.

Assistant City Manager Brent Stockwell: That would be the general fund unreserved fund balance.

Mayor Lane: So what we have frequently used in the carry over of the checking account balance, we sometimes refer to it -- we talk about the unallocated reserve and so we do some -- as we sometimes refer to it, some one off capital projects; is that correct? And public art as it's defined right now, there's a commitment of what, the entire amount of funds that are dedicated for public art on this project have already been allocated by 180,000. Did I understand that correctly?

Aviation Director Gary Mascaro: Mayor, members of council, that's correct. They have been committed and they are in the process at this point to select a finalist for the artist to do some work in the interior of the building such as flooring and potentially a wall or glass on the elevator at this point.

Mayor Lane: Okay. All right. Very good. Again, I will reiterate I'm for this project and I think there is going to be a way for us to fund this and it's going to be for us here on council, I think it will be a matter of making sure we are using funds that are not taking off our capital improvement side of things.

The only other comment that I would make is I think the 4-3 vote was the -- the objections as I understood and have read in it was on the basis of lack of support for what they saw to be an overt tourism application here. And I think that Mr. Ziomek and frankly we have seen since a number of indications that that was probably made more clearly than it may have been when that vote was taken and it was a 4-3 vote against it at that point in time. So I do think that there is some room and I think for this council to consider the tourism funds for that, but I will let the other councilmembers speak, as well, though.

With that, I will move on to Vice Mayor Littlefield.

[Time: 00:50:40]

Vice Mayor Littlefield: Thank you, Mayor and I will ask your indulgence. I have done a lot of research on this over the past few weeks and I have -- I want to make sure I say all of this correctly. So I can think of no greater honor for our city than to recognize and honor the American airmen who trained at Thunderbird field and then went on to fight in World War II to defend our country and our freedoms that we all hold so dear.

Our airport was a very important part of the free world fight to win in World War II. Over 5500 American fighter pilots trained here. These fighter pilots who came here for their training helped to



form the basis of our current day Air Force and definitely played a major part in winning the war for ourselves and our allies. Many the American pilots liked what they saw when they were here. They returned here to make their homes. Returning veterans helped to form the very core of our city that we know today. They came home here to live in Scottsdale bought homes, raised their families and spread the word that Scottsdale was a really great place to live. Our city thrived and grew and many of their children and today their children's children are still here.

This memorial is a tremendous educational opportunity to tell folks about the important piece of work in our own history right here in Scottsdale and we should not pass it by. It's a once in a lifetime opportunity and if we do not take advantage of it today, it will not come again and Scottsdale will lose. Our field, Thunderbird II, was one of three airfields here in the valley that trained pilots for World War II allied services. The other two fields trained many pilots from our allied forces, Britain, Canadian, Chinese and others. In Scottsdale, the trainees were Americans, and men and women. Did you know some of the trainees were women? During the war?

There was one of our more important bases -- this was one of our more important bases here during the war because of the good flying weather. We had many days that allowed them to practice and they practiced safely in spite of the weather we had the last few weeks. In fact, if you fly toward the west, in a small plain today, you will see a lot of air and ground space with dirt landing strips, just bulldozed off the desert land. Those were the strips that the airmen tested and flew on. Their still here. You can still see them and those are the strips, the dirt strips that they did touch and goes on and they did practice landings and practice takeoffs in difficult times, difficult places, like perhaps Africa, other places like that.

Because of the Thunderbird field and because they have such a large international significance, I believe it also would be of interest to our international visitors to see the plane that their ancestors trained in before they headed off to war. Talk about a unique experience. There are very few of these planes left.

Therefore I believe this memorial qualifies for tourism dollars and it with an excellent use of them, a one of a kind use. I think the large international flavor of this memorial was not fully presented to our tourism commission when they studied this issue. Nor do I believe they were fully told by the many marketing entities that support this endeavor and the large advertising forces that are behind it and willing to support it. And I too have a list of some of those places that are going to be very supportive of this and help us with the advertising and the popularity of having the Stearman here in Scottsdale.

I disagree with the public art committee, when they told me that the protective enclosure of the pt-17 is only a structure, like a garage to house the plane in. It is also a frame which is critical for the display and the viewing of the airplane. You do not take a statue off a pedestal or a picture out of a frame in order to view it. The enclosure is a necessary part of the public art in order to see it because about that frame it could not be displayed in an artistic or viewing advantage. I believe the enclosure should be viewed as a part of the whole and the whole creation. And should it be would be eligible for money.

We have expenditures outside of our normal approved budget and these for things we deem worthy of the cost. These monies are for projects that come to us over the year, mostly that we didn't know about when the budget was approved. This display fits that mold. It's a once in a lifetime opportunity to bring our citizens to a sense who have we were and how we would help to train those who would fight the crucial air battle to win in World War II. It would give us a memorial worthy of their lives and their honor.

Therefore I move to adopt resolution 10607 authorizing the agreement 2016-167-COS, the Scottsdale Thunderbird field II veterans' memorial donation, and maintenance agreement. And direct staff to use tourism development funds as the most appropriate funding source for the design, installation and construction costs of the memorial shade plaza and related aircraft display exhibit.

Mayor Lane: I will second that.

Vice Mayor Littlefield: I'm done, thank you.

Mayor Lane: That was your motion, though.

Vice Mayor Littlefield: That was my motion, yes.

[Time: 00:57:34]

Mayor Lane: All right. So I -- you know, I concur, certainly, as a second to -- on that motion. I concur. I have to think there's an awful lot to be supported with the facts. I just attended a major event at the airport that brought in hundreds of Canadians, specifically into the airport. I can't think of any other venue, really, that has had that kind of draw, much less what it does and frankly, in capacity and to have a terminal that reflects the history and the city of Scottsdale in such a great way. There's no doubt in my mind that it becomes an attraction unto itself and certainly adds itself to our overall image and frankly or history and tourism.

And the experience of Scottsdale. And that's I didn't think the experience Scottsdale is so much in line with it too. It's not often that we would even consider overruling, but I do believe that under the circumstances of a 4-3 vote, with absence of some of the additional information that has been communicated tonight, and we have -- in the meantime, we have also experienced and seen and felt that it is an appropriate allocation, and the right criteria for the TDC. I hope that my councilmembers will agree with that allocation. It's a close vote and I think there was some additional information that's been considered. I do think that it adds a significant element to our airport and our terminal and becomes an attraction and a venue for that. That's my second on it.

With that, I will go to Councilman Phillips.

[Time: 00:59:12]

Councilman Phillips: Well, a lot of stuff has been said that I wanted to say, and I wanted to make the motion too. I got to tell you, I'm just -- I'm overly excited about this. I feel like this is like the Museum of the West. It's just like I can't wait for this to come to fruition. It's very exciting, honoring our veterans, honoring Scottsdale's past and our contribution to the war effort. It's just amazing and I get goosebumps thinking about it.

I have been on board since day one. I love the idea of tourism paying for it, you know, and I will go with any motion. That's fine with me if we can get tourism to pay for it. I was thinking of a 50/50 with our unreserved fund balance, only because that 50% of tourism, it's basically tourism funds from tourists and we get half of that money and we use that for tourism-related items. But the general fund contingency money, that's from everybody. And I feel like this is everybody's and by doing that, everybody would say they had a part in it because I think everybody wants this. So to me, 50/50 would be great, but I'm more than happy to vote for whatever gets this thing passed.

Thank you everybody who sent in letters. We got some amazing letters. I wish we could read them all. I'm just surprised and amazed at all the war veterans that are here, the pilots that are here, their stories are just amazing, things they have been through. We learned so much as a council and the history of Scottsdale that I never knew before. It's just an exciting project. I can't wait for it to get excited. And thank you very much for everybody showing up this evening and we really appreciate it. Thank you.

Mayor Lane: Thank you Councilman. Councilman Smith.

[Time: 01:01:05]

Councilman Smith: Thank you, Mayor. And I want to thank everybody for showing up this evening as well. And thank you for your years of service, if you were in the service and for those of your ancestors if you are speaking on behalf of them.

I don't think there's a person up here that doesn't want to memorialize these events and the special history that occurred at our airport. And putting up Stearman pt-17 would probably be a symbolically outstanding way to do that. Certainly we -- we all want to honor, as somebody said, the brave young aviators.

I do have -- I will share with you, I have concerns about spending taxpayer dollars for this, only because I think we are elected here to spend the taxpayer dollars in a way that probably doesn't include memorials. Somebody mentioned earlier, the Mayor Drinkwater Memorial right out in front here. It's a lovely memorial. It was not paid for by tax dollars. It was paid for by individual contributions.

And that's true of so many of the memorials that we have in the city. They are not -- they are not considered public art. They are outstanding memorials and they are an outstanding message that they deliver, but they are not public art. And nor are they generally something that the city spends taxpayer dollars for.

I have -- I have no appetite for trying to change the opinion of the public art folks in terms of what they have deemed to be public art and what is not. Councils prior to this sitting council made the decision many years ago that we should take out of our hands the determination of what is public art and leave that to people for whom that is a profession. And so I never want to get into a position of saying, well, I think you are wrong. I think this is absolutely public art or essential to showcasing the public art. That's just dangerous territory for us as a council to get into and I want to no part of that.

I also have angst over appointing a group of citizens who are arguably the seven most knowledgeable people in the city on the subject of what is and what is not tourism, what is and what not appropriate use of tourism, to put projects in front of them and ask them their opinion and ask them to share their expertise with us and then when they do that say, oh, well, I think they are wrong. I think that's an affront to the appointed members of commission and it's an affront to the expertise that they are asked to bring to that job.

The only funding source to me that would be within our purview here is the sitting seven councilmembers would be the first one and that's general fund unreserved fund balance. I have said already I don't think it's an appropriate use of the money to -- to fund the memorial as much as I may support that memorial and as much as I may wish it were to occur. But the other thing that's going to happen before we all leave the podium tonight, we are going to hear a presentation on the capital program for the next five years and I can already tell you the answer to that is we are going to be woefully short of capital money. We don't have money required to support our street programs our storm drain, our building replacement programs. We don't have enough money to support the basic needs of the city. We went to the city and asked them to give us addition a bonding authority through their property tax and I don't pretend to question what they said. They said, no, they won't.

So we can't just sit up here and pretend that we're in some magic bubble and we lake a project and therefore let's do it. As good as it may feel, and as rewarding as it may be, and as noble as it may be, I have to tell you, I support the project but I will not be supporting the vote tonight because I don't see the money.

And I cannot ask you as individuals to raise money to procure a plane and give it to us if at the end of the day we don't have any way to find the money to display it for public use. Some of the people have written to me and written to other councilmembers, I'm sure as well, suggesting that the entire project should be funded by private contributions. And we have heard of so many people and so many organizations that are 100% behind this project. If this kind of enthusiasm exists, I suppose I would say, let's -- why aren't we going with option d, and tapping into that enormous potential for support for this memorial.

But if we are looking at a motion as it's been made to use tourism dollars, that's in my opinion, the wrong source and it's also in a sense a disrespect to the citizens committee we have assembled. Thank you, Mayor.

Mayor Lane: Thank you, Councilman. Councilwoman Klapp.

[Time: 01:07:24]

Councilwoman Klapp: Well, I do believe we need to respect the decisions that are made by our commissions. The information has been provided to us tonight does help persuade me that there is some tourism draw here, that I don't think the tourism commission or the tourist development commission really took into consideration. So I'm going to be supporting the motion, even though it would have been my preference -- I don't agree with Councilman Smith.

My preference would have been to split the cost between tourism and public art. I said this when this presentation was made the first time, that we have a beautiful new building and this would be an addition to the building over and above it being a memorial, it is art. And I believe that the plane is art. I think the enclosure is art. Everything that is provided to present the plane is art. So I appreciate the public art people agreeing that \$180,000 would be applied to this project, and I will support the motion to take the rest of the funds from tourism, however, I still believe that a portion of this 412,000 shortfall could have also come from public art because I do believe it can qualify.

I don't see this as -- I mean, it can be called a memorial, but it also is -- this is our airport and it's a plane. And so I point out to you that we supported a piece of art at WestWorld that's a horse. And so if a plane at the airport is not public art, then what is that horse out there? I think it's public art. And we could say, you know, maybe it's a memorial to the equestrian community if we want to, but nevertheless, I think we are splitting hairs in some cases on what public art is and so in many my estimation, we could have taken money from b and c, but I'm okay if the majority of council wants to, we'll take it all from the tourism fund.

[Time: 01:09:44]

Mayor Lane: Thank you, Councilwoman. You know, I think with the second I is already indicated that I support it and I would just want to make sure that I make something else very clear to the members of the tourism development committee, and their job and certainly it's highly respected. They are considered to be those people who are following the criteria that's been established in order to allocate these funds for tourism-related projects on the capital side. And that includes venues. That's what we did with the WestWorld. That's what we did with the Museum of the West, all of those things. They are all considered venues and capital projects that are based upon tourism needs. So I think that the application has proven itself to have garnered at least that additional vote from them, but rather than 4-3 against be 4-3 for. Just to explain the situation.

So I don't take it lightly that we will might overrule but it's certainly this body's right and really our authority to do just exactly that. They are a recommending body. They are not necessarily -- they are not the final word on it and I don't think it's a matter of an offense if we decide that we are going to consider additional information, in fact, that's what we are here for at times and oftentimes do. So I think that's reason enough, as far as I'm concerned.

There is one avenue on this that might have been handled a little differently and I'm not sure if it was a timing or otherwise but if this project was included in the original financing or the original design of

the building, we wouldn't be talking about this right now. It could have just been included as part of the architectural features within the building and it wouldn't have been a public safety building. I think it's a matter of our add on the project that puts us in a little bit different position. But that's history and that's -- you know, that's something else again. But that's what I would actually have favored more than anything else. So -- well, I will say with my second I favor the motion.

Councilmember Korte.

[Time: 01:11:46]

Councilmember Korte: Thank you, Mayor. And to that point, Gary, regarding including this in the original construction costs, there was an issue with that, if I remember. Could you refresh my memory on that?

Aviation Director Gary Mascaro: Yes, Mayor, Councilmember Korte. That is correct. One of the concerns that we had at the aviation department is the funding for the entire project the two hangar facilities and the business center is covered by a bond which in turn the aviation fund will be covering the costs of the debt service. The concern that we had from an aviation department standpoint the inclusion of aircraft which came after as an extension of the facility, there may not be a direct benefit for the passengers and the users of the facility.

So, for example, the aircraft that are operating in and out pay these fees, but there's no direct benefit, which could cause us some concerns from an F.A.A. standpoint and the revenue division, which would cause some grant insurance violation which we could get in trouble with. So there was a fine balance that we had to evaluate. And from my experience that could have caused us a lot of heartburn because it was not a direct benefit to the users of the Scottsdale airport.

Councilmember Korte: Thank you. I have been responding to most of the emails that council has received and expressed my concern using CIP funds for this. I would not support this project if CIP funds were used. As Councilman Smith stated, we have millions and millions of needed projects without adequate CIP funds and as -- as like Councilman Smith, I feel it would be irresponsible for us to use CIP funds for this project.

And I have a little heartburn using tourism dollars. I treasure our tourism commission. I treasure those individuals and the time they spend reviewing projects. Maybe they didn't get all the information, and I will give that the benefit of the doubt because sometimes you have to look at a project and say, well, is this a one-time -- is this a one-time opportunity? Is this something that the timing is so critical that we either make a decision and stick our necks out a little bit making that decision or lose the opportunity all together and honoring the Thunderbird veterans memorial, the 5500 veterans that trained at this field. I think is very worthy. So I will be supporting this.

My last comment that I just wish that the private fund-raising had, shall we say, taken on a little bit of life, I think it would have -- you know, I look at all the other memorials that we have across the city and the amount of dollars that have been raised privately to fund and support those projects. And I just

wish that there had been more effort to balance this cost out 50/50, private fund-raising to tourism funds seems to make sense to me. But I understand we have a time frame here. So I will be supporting it.

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

[Time: 01:15:53]

Councilwoman Milhaven: I share some of the comments that Councilman Smith has made. I have been torn, where you approached me at an event, and I got really excited about it. Not understanding that the city was going to be asked to put in \$400,000.

I did sit on the committee that raised the money for the Drinkwater statue. And it was completely privately funded and we raised a reserve so we could give the city to maintain it over time. And so that's been our history and so on one hand, I'm so excited about the project, and on the other hand, you know, the private fund-raising, I would have looked for more.

The other thing that causes me angst. It's a replica. The ordinance says it's a replica. It doesn't say it's an actual airplane. Okay the actual resolution says shall receive a Stearman replica.

Aviation Director Gary Mascaro: Mayor Councilwoman Milhaven when we initial put the contract together was a replica. Things have changed where it's going to be an actual Stearman. So we completed the contract and they came back and they said, hey, we found a real plane and it will be cheaper for us.

Councilwoman Milhaven: Well, that's a horse of a different color!

Aviation Director Gary Mascaro: Or an airplane of a different color.

Councilwoman Milhaven: Or an airplane of a different color. And so that does make a difference. Well, I feel a whole lot more comfortable if the city shared 50/50, with private fund-raising. I could have concerns about how we are funding it and what this might suggest about how we fund future really great ideas given our limited opportunities. And so perhaps this also begs a future conversation or maybe some policy around how the city is going to handle requests for memorials. Thank you.

[Time: 01:17:57]

Mayor Lane: Thank you, Councilwoman. Seeing that there's no further requests to speak on this, I would just want to say that, number one, I see this more as a display of the city's history more than a memorial, even though it could serve as both. My father trained in the early '40s in Deming, New Mexico, in the Army air corps, of course. At that time.

But in any case, I think we are ready to vote. All of those in favor, please indicate by aye and register

your vote. Those opposed with a nay. The motion passes 6-1 with Councilman Smith opposing. Thank you.

No, no, we are not prompting applause. I appreciate that there's good sentiments and that but it's for Girl Scouts and Boy Scouts pretty much only. But thank you very much for all of your input. Oh, and Brownies, well, I'm sorry. But in any case, thank you very much for all of your input, and thank you to staff for the presentation.

**ITEM 24 – FISCAL YEAR 2017/18 PROJECTED CAPITAL IMPROVEMENT PLAN**

[Time: 01:19:06]

Mayor Lane: Okay. We are moving right along then to item 24, which is the fiscal year 2017/18 projected capital improvement plan and we have Mr. Dan Worth here to give us his plan.

Public Works Director Dan Worth: Good evening Mayor and Council. Not quite a plan yet, but this is the first meeting where we discuss the operable assumptions for our capital development plan for the five years beginning with this coming budget year.

Mayor Lane: So for the order, presentation, discussion and possible direction?

Public Works Director Dan Worth: Yes, Mayor. This is a discussion about how we budget to invest and reinvest in our physical municipal infrastructure. So as we have done the past few years, we will start off with a little bit of orientation on the value of the infrastructure and the depreciation of the infrastructure which is an indicator that you can use to determine what an appropriate amount of money might be to reinvesting in it.

This is the value of our capital assets and I will draw your attention, particularly to two categories in the upper right corner of the pie chart, streets and storm drains, about three-quarters of a billion dollars. Buildings and land improvement about 400 million. That's the bulk of what we pay for in the capital program. You have preserve. You have other land and our assets, but what we're basically budgeting for is to create new and to reinvest in existing land or building and land improvements, streets and storm drains.

These two categories, generally, correspond to building and land improvements, correspond to the general fund. We are going to spend most of our time talking about the general fund CIP. We are going to spend the rest of our time talking about the transportation fund CIP. Storm drains are listed in this asset category. We generally pay for them out of general fund.

There's a couple of points where that's significant and I will point that out in the presentation. This is the value of the asset. This is the value of the annual depreciation. Again I said an indicator. There are different ways to approach the amount, but this is one we are losing \$50 million a year we are losing in the streets and storm drains we ought to be reinvesting at least that much in our streets and storm drain just to keep steady. Building center improvements, the number is about 21 million.



This is the general fund CIP. The next several slides will focus on the general fund CIP. This is what we are looking at this year. The beginning general fund cash balance going into this year, \$37.6 million. Kind of aggregated and grouped together some projects but these are projects in our existing CIP this year. What you see is the budgeted amount. You add it all up, we are budgeted to spend \$27.1 million. This slide and all of the other slides I'm going to show you, on the general fund analysis is just looking at general fund monies.

Some of these projects also have other funding sources. The big ones, we have got in particular this 5.9 million of general fund money on the granite reef watershed, it's a \$43 million project. The rest of the funds come from Salt River Pima Maricopa Indian Community and some remaining bond 2000 money. There's smaller instances of other funding sources associated with these projects but if you are just looking at the general fund CIP money, this is what we are budgeted for, 27.1 million, and then the second number from the bottom, based on our analysis of –

[Time: 01:23:07]

Mayor Lane: Excuse me. I'm sorry. One quick question, and that is that \$27.1 million, when you talk about these other sources do we have an idea as to what it leverages into total purchases of capital improvements?

Public Works Director Dan Worth: Across the full five years of our plan there's about \$40 million of other funding sources that match up to the money that we have budgeted in the general fund. That doesn't compare to this 27. This is just one year. The next slide I will show you will show you the other four years of our general plan. That's what it matches up to. \$40 million.

Mayor Lane: Over five years.

Public Works Director Dan Worth: Over five years. The bulk of it, though is already in the project. It's the Granite Reef project.

Mayor Lane: Thank you.

Public Works Director Dan Worth: Second number from the bottom, based on our analysis, it's the multi-year project. We don't spend the bulk of the money until we get into the construction, and balances roll over but what we anticipate spending this year is somewhere in the neighborhood of \$14.4 million. So if you subtract 37.6, what we start, with and 14.4, what we spend, that's the cash at the bank at the end of the year, 23.2, that will carry over to another slide that I will show you two slides from now. So that's this year.

This is, as I just mentioned, the years two through four of our current CIP. It just shows you the budgeted amount, that first year, '17/18, that includes unspent budget balances for projects that we roll over. We don't spend out. I showed 5.9 for granite reef and we expect to roll over \$5.2 million into next year. So this year includes rollover unspent budget authority from previous year. These

subsequent years show additional funding authority that we have in the five-year plan. And then year five, we are going to be budgeting for this year. There's nothing now in it, obviously because we are budgeting through year 2021.

So these numbers down here are the total of the total budget authority we anticipate in each of these budget years. These numbers will also show up on the next slide. This is the big picture slide. That beginning cash balance shows up here, 23.2 million. That's what we expect to have. Cash balance at the end of this year, rolling into the next budget year. We show the additional funding, the additional revenue that we anticipate adding into the bank account, so to speak, the total cash available that we have for our CIP. And I will talk about each of those in a little bit of detail in a moment, but you take your beginning fund balance, you add these amounts and this actually is slightly mislabeled. It's not total revenue, it's total cash on hand. Beginning cash balance, plus revenue, total cash on hand.

We have \$36.7 million to cover our expenses for fiscal year '17/18. Current projected budget, 37.5, this is the -- the current '17/18 budget, plus the amount that's going to be rolled over from this year. Actually that number is included in there. It's 37.5 includes that number.

And then there's two ways that these numbers add up. You can look at the cash balance. The beginning cash balance, 23.2, add all of those revenue sources, total cash, same as last slide, we expect to spend 18.3 million out of that total \$37.5 million budget authority. We are going to spend 18.3. That's going to leave us an end of year balance of 18.4. 36.7, 18.3, 18.4. That 18.4 goes up and begins the in next year and that carries through that way all through the five years. You can follow the cash, the expenditures, the balance and then we roll that over to the next year.

The budget authority is the same thing. These numbers here current projected budget, that's that bottom line from the previous slide, we anticipate \$37.5 million of budgeted expenses for '17/18, we are not going to spend all of that money. We will have budget authority left. You take that 37.5, and you subtract what we plan on spending and 19.2 gets rebudgeted. That gets carried over here. So the 17.4 from the previous slide, we rebudget. Total expenditure or total budget, what we plan on spending, what we anticipate having left over. And that carries over all the way through.

As you get to the out years, the percentage of funds that we spend is a lot higher because it's not big projects that require a year of design and planning. It's what we call a keep the lights on projects, the money that we reinvest every year in replacing building components, air conditioning, roofs, our server, our communication infrastructure and those we general spend in the years that they are approved.

Mayor Lane: Mr. Worth we do have a question, I think it's pertinent to this particular graph.  
Councilman Smith.

[Time: 01:28:33]

Councilman Smith: Thank you, Mayor. And it is -- I did want to stay on this graph for a minute.

I think if I look at whatever the third line from the bottom which happens to be the faintest line on the screen, but total estimated expenditures, 18.3, 25.7, and so on and so forth. Over the five years, I think if I summed all of those up, that's the \$57.8 million of spending that is expected to be displayed or anticipated over the next five years, \$57.8 million. It happens to be the sum total of the budgeted amount, about six lines from the bottom as well. But my point is over that period of time, you are spending 57.8. The revenues that you have coming in, and that's a little hard to figure out because that's the five lines that are actually revenue lines that you don't have them summed up anywhere. But as I -- as I did the math, it looks like those are about 37.9.

Public Works Director Dan Worth: All of these revenue numbers?

Councilman Smith: Yep. I'm sorry. They are -- they are -- 64.6. 64.6. The 37.9 of that number is the food tax number. What I wanted to point out and ask if you have -- or if management has given any thought to this, if we strip out the food tax, you wouldn't have enough revenue to fund even the modest program that you have displayed here. Is that correct or -- I mean, I know it's correct. Have you given thought to what you would do?

Public Works Director Dan Worth: Mayor, Councilman Smith, if you cut to the chase, if you take all of our anticipated -- currently anticipated budget amounts, all of our anticipated revenue, including the food tax and that's one the assumptions I wanted to point out that may or may not be a good assumption. If you take all of that and you run through this five-year carryover budget, carry over expenses and come up with a bottom line at the end of five years of 30 merchandise. So that is theoretically what we have available at the end of the five years, which spread over five years is not a huge amount of money.

Councilman Smith: You're right. That's an easier way to look at it, if the graph is saying at the end of five years you will have \$30 million, excluding the food tax.

Public Works Director Dan Worth: If you take away 30ish million dollars on the food tax, then you are already broke.

Councilman Smith: Right. And I think it's important for people to remember that we put the food tax here to kind of park it here temporarily to, in a sense wean the general fund off the utilization that for current operating expenses, but I don't think we -- well, I will speak for myself, I certainly never intended to leave it here in perpetuity. I never intended that our capital program would be paid for by the most regressive tax we have. So I think we need to be aware that even though this shows a balance, it shows we end with \$30 million at the end of five years, it's balanced on a precarious assumption. And I guess I would -- later on, you are going to talk about the adequacy of this, versus depreciation of the assets that are being addressed here, and whether it's enough money or not enough money.

Public Works Director Dan Worth: Councilman Smith, I can talk about that right now. This represents the current year, the year that you don't see on this slide is on the previous slide, plus the

four budget years in the current budget. You add up all the budgeted amounts, \$72 million on the buildings and the storm water infrastructure. I mentioned earlier, we are getting \$40 million from other sources. You add that \$40 million on top of the \$72 million, and you are at \$112 million. I mentioned that \$112 million on buildings and storm water structure. \$43 million is one storm water project and that's the depreciation number along with the streets. So if you are going to do an apples to apples comparison to the \$21 million a year that we are depreciating in our buildings you strip that out. And if you strip that out, we are looking to invest \$69 million over five years, about \$12.3 million a year, matched up against \$21 million a year depreciation.

Councilman Smith: And I think both of us put the audience asleep with all the numbers but I think the bottom line is we are not investing enough to cover depreciation. So if somebody can shake the audience and make them up, you can go on to your next slide. Thank you, Mayor.

[Time: 01:33:53]

Public Works Director Dan Worth: I was also going to address the multiple funding sources in here but we already talked about the key one. The \$25 million construction sales tax is per policy. Net interest in excess of \$1 million is per policy. Food tax is a decision that we will be confronted with.

CIP additional pay go, we do not assume that we are sweeping any money from the unreserved fund balance in any year beyond the one that you already made a commitment to. So this is zeros. There is going to be an unreserved fund balance if things go well. So that's a possibility. We just don't have it budgeted right now and interest income and the funds that are in our CIP program, fairly small amount of money going in. So food tax as Councilman Smith has already discussed, certainly a topic of discussion, additional pay as you go investments also a topic of discussion, although it hinges on a lot of unknowns on the operating budget side.

The next, I think, three slides give a list of the capital project requests that staff has generated. I don't anticipate going down this list and talking about them. The time will come at a later opportunity to do that. We will provide you the detailed information for all these project requests so that we can sort out what we choose to fund and what we choose not to fund. The purpose tonight really is not to discuss individual projects but just to give you an idea of the magnitude of the unmet need that we are matching up against those very limited fund sources and if you look all the way down this list, this is a list that staff generated and it's been through the staff generation process and this is the nucleus that will come to you as part of the city manager proposed budget, obviously it will change. Things will go up or down depending on your priorities, but this is a current prioritized list and I added up the cumulative additional budget amount in the right-hand column.

So you can see the list of projects. Go to the next slide and the number turns red when it gets above that \$30 million number. The bottom line, five year, if nothing changes number that came from the previous slide.

So --

Mayor Lane: Excuse me one second, Mr. Worth, we have a question or a comment from Councilwoman Milhaven.

[Time: 01:36:34]

Councilwoman Milhaven: Can you explain the difference between this list and the list on the prior slide.

Public Works Director Dan Worth: It's the same list. I just couldn't fit it all on one slide.

Councilwoman Milhaven: I thought so.

Public Works Director Dan Worth: So the cumulative column continues on the previous slide and it stops at the point when I run out of money and depending on the food tax, we may run out of money at a different point.

Councilwoman Milhaven: But right now you are saying we are not running out of money until year five.

Public Works Director Dan Worth: I'm saying we run out of money at \$30 million and depending how you budget those projects, we could run out of money early in that five-year period if we try to do everything right away. This is kind of the summary current five-year, planning to spend \$72 million. We have general fund requests on top of that of \$84 million and we have got 30 million, arguably is enough money to allocate against the needs.

And here's the kicker. We have some other potential needs in some cases, pretty substantial needs that we have been talking about or will be talking about in near future. No decisions have been made on whether or not we will go forward on some of these projects or if we go forward how we will fund them. You have given us direction in I believe every case to come one some plans, some strategies for funding these projects but there are potentially some projects the Reata Wash, is the subject of a work study and desert discovery is going through the concept development process.

We have recently had a work study with you on the series of downtown projects our downtown open space projects, the emerald necklace. Add those to go and it could be tens of millions of dollars where we could potentially be looking for funding on top of that \$84 million from the list of projects the staff has identified.

Bottom half of the slide, how we pay for it, just some -- some things that we need to be considering obviously a general obligation bond has had mixed results for us the last time we tried to go out and do that. And we have got to take that into consideration but it's a potential option. I've got a slide that I will show you, what I'm talking about in detail and leveraging our existing real estate assets but we have undeveloped land that the city owns that represents a fairly substantial value and that could certainly be factored into the equation. Sales tax, we pay for capital projects now, and a couple of very special specified categories street improvements and preserve trail heads with sales tax, with

dedicated sales tax revenue. There is -- if you include that, a precedent -- although, we have shied away from funding general fund CIP with sales tax in the past. General fund operating unreserved fund balance, anything above and beyond the general fund operating budget needs gets swept into the general fund CIP unless you determine not to for various reasons. Those are potential funding sources.

This is what I was talking about with the real estate. I draw your attention to five particular assets. The Rose Garden is the surface parking lot on the intersection, the northwest corner of Goldwater and Fifth Avenue. Current value based on comparable sales, our assessment, about \$5.7 million, if we decide that we want to retain public parking as part of the sale or a development agreement, you certainly start subtracting from that potential value but if we sold it outright, auction, high environment and best use, we think it's worth about \$5.7 million.

The 80 acres on Bell Road, and, again, all of these value estimates are just based on our staff. We haven't gone out and appraised them but our staff assessment, looking at comparable commercial sales in the recent past, we think it's worth upwards of \$50 million now, about \$40 million remaining on the principal and the debt and I won't go into the restrictions on when we can pay off the \$40 million. I will leave that to the treasurer but there are some restrictions.

The SkySong, 1.5-acre parcel. We have not got it defined. In fact, today is the closing on the amendment 7 to the SkySong lease, where we define the 1.5 acres on that side that belongs to the city. We can sell it. We can enter into a development agreement and get value from it. We have got options. Logging any of the options that's what we think the options are.

Loloma our definition includes north and south of Second Street between Scottsdale Artist School and Goldwater north of Second Street. It's between Goldwater and the Western Museum. It includes the current Sagebrush Theatre, and, of course, if we decide that we want to do something to accommodate preserve, relocate the Sagebrush Theatre, then that would ostensibly come out of the revenues or subtract from the revenues. But, again, a whole range of options but highest and best use, we think it's worth upwards of \$23 million.

Then one that we really haven't discussed in the past, Whisper Rock is a site that we obtained for future park and/or library. We obtained it with bond 2000 money. Shortly after that bond issue was passed, the far north Scottsdale, it's Ashler Hills, it's not currently in our community services, parks master plan or library plan. We own the asset. The only restrictions, we believe on what we can do with the funds, if we were to sell that asset is we would have to reprogram them back into the CIP in order to keep faith with the bond rules, but it's got a good value.

So that's five potential properties. I'm not giving you any recommendations. I just want to make you aware of the value of this collective asset that's sitting out there that could be used some or all to support some of our other capital needs. The total value, if you add it all up, net of debt service and the principal remaining on the 80 makers is somewhere in the neighborhood of \$50 to \$60 million.

So --

Mayor Lane: Excuse me one second. We have another question or comment from Councilman Smith.

[Time: 01:43:48]

Councilman Smith: Yes, two questions. And I know that we are not trying to refine this slide down to anything accurate. We are having an overview discussion. The rose garden, you said it's worth about 5.5 to \$6 million. The third item down, is our SkySong acreage. A tad bit larger, but worth only half the money. Is that -- can you share with the listening audience why that discrepancy would exist?

Public Works Director Dan Worth: It's based on dollar per square foot in comparable sale. There's a premium for being in the downtown. It will take into account zoning and accessibility from major thoroughfares, a whole range of different factors. It's primarily, I suspect in this case, the downtown location that gives that premium to the rose garden parcel.

Councilman Smith: That's quite a substantial difference. I thought there was maybe something I was missing. The other thing, I think just to make people aware of it, the 80 acres parcel, that looks to be valued at something around \$600,000 an acre. We still owe \$500,000 an acre on it. So there's really not much net value there either. I point that out only because a lot of people say we ought to get rid of that. It's true. Perhaps we should. It has a high carrying cost but there's not a substantial number of dollars to be realized from the sale and you --

Public Works Director Dan Worth: And I will point out that if we sell that, pay off the principal at the first opportunity that we have to do so, we're not immediately realizing the benefit of the full value of the sale, but we're reducing the amount of money that we are spending in our operating budget substantially to the tune of, you know \$2 million, \$3 million a year that we are paying in debt service.

Councilman Smith: I think it's about \$3 million a year.

Public Works Director Dan Worth: If we don't increase our expenses that gets swept into the general fund CIP. It just doesn't happen right away.

Councilman Smith: And I think also to each of these parcels if you put them on the public -- in the public sector, you will perhaps create a property that's generating is some amount of property tax. Not a lot, but every bit helps. Thank you, Mayor.

Mayor Lane: Thank you, Councilman. Please continue, Mr. Worth.

[Time: 01:46:31]

Public Works Director Dan Worth: The rest of the presentation is some very similar looking slides, dealing with the transportation CIP. It's the same logic. This is this year, beginning cash balance,

\$40 million. Same caveat. There's other money that's involved in these projects primarily MAG arterial life cycle program money and some federal grants. And when I start showing you the list of project requests, we indicate those that also have MAG money, but the numbers I'm showing you are just transportation sales tax funding. This is what's in the budget.

\$40 million cash balance beginning of the year, we anticipate spending 26.7, 13.3 million rolls over to the beginning of next year available cash. And this -- there's a portion of that expenditure budget that rolls over into the beginning numbers for '17/18, just as there was for the general fund. So same thing. The existing plan, the budget amounts for each year. These numbers roll over into the next slide and appear here. Same logic.

The revenue sources that get added to the beginning cash balance tells you how much money you have each year. The current projected budget, plus what gets rolled over from the previous year tells you how much budget you are going to have each year. We spend this much. It tells you how much budget we roll over. It tells you how much cash is left.

It looks on this slide like you have same logic at the end of five years, \$18 million of latitude to consider putting against new project requests. I will add a word of caution on this one. That's the real number. If -- again, a lot of this is front loaded. So the \$18 million represents the fact that this year doesn't have the \$6 million that we programmed for paving and the \$3 or \$4 million that we programmed for an assortment of other things, trail, sidewalk improvements, traffic calming and when we add that in there, which is the highest priority, that number goes down substantially. But the real limiting factor is running out of cash in year two or three when you see how low the cash balances are. We can't add a whole lot in the first year or two of transportation CIP.

So with that pessimistic outlook, again, I think there's three slides of requests that we prioritized and are considering. Some of these you see a negative number where we are actually if we approve the request we are putting money back into the balance, general a good thing. But the same logic cumulative columns we run out of money here. And again, as to give you a magnitude of the request. Four slides.

But bottom line you see there \$80 million worth of requests. 18 million at the end of the five years in the current plan to spend. I list this project. These are projects in the CIP. but we haven't started yet. They are future year. So these by all rights could be reprioritized along with all of those new requests. But if you are just looking at the magnitude. We have \$80 million of requests on top of that. Total \$157 million of needs in the transportation fund.

Issues, big issue in the transportation fund is coming up with our transportation sales tax funding to meet the bucket load of dollars through the MAG arterial program. We generally play the split. This is what it looks like right now in the five years that we have in the CIP. We have got \$21 million of \$77 million. Five years. \$21 million is our match for projects that MAG is partnering on. We get another \$48 million primarily from MAG and that includes federal grants. For \$21 million we get \$48 million of other money. That's the good deal.



The scary part is if you go beyond that five years MAG has \$17 million of MAG funding identified in the ALCP that we get if we can come up with \$82 million. So we have 21 programmed this five years and we have been pushing projects down the road out of our five-year window. They are still in the MAG ten-year program that are still a commitment for them to fund them. But we have to figure out where that comes from.

Mayor Lane: We have a time constraint. If we don't come up with it, it falls off the cliff. It's reevaluated.

Public Works Director Dan Worth: It won't happen this year. It will go somewhere else. \$197 million that our residents helped to pay through .4 of a percent sales tax will go to somebody else. So that shows the same thing a different way. That shows a magnitude of what is being deferred.

With that, that's all that I have to present. I would be happy to entertain any questions.

Mayor Lane: Thank you very much, Mr. Worth. I appreciate that. I know we were asking some questions as we went along. So -- and I do not see -- well, we do now. Councilwoman Milhaven.

[Time: 01:52:43]

Councilwoman Milhaven: Thank you, Mayor. From your slides, you showed us that there's \$84 million in general fund projects and \$80 million in transportation fund projects that are essentially unfunded. Where is that list?

Public Works Director Dan Worth: Right here. That's -- that's the sum of all of these new project requests. If you --

Councilwoman Milhaven: Then I'm confused. You said that was the same list of funded projects.

Public Works Director Dan Worth: No this, this is the new funded project. The list of funded projects is here for the next four years of the five-year plan and it's here for this year.

Councilwoman Milhaven: So when I look at the two lists, I.T. network infrastructure is both on this list and on the other list.

Public Works Director Dan Worth: Right. The I.T. -- and that's a very important point, if I can move this in the right direction. I.T. network infrastructure you can see has funding in each of the four years of the five-year plan. That's one of those keep the lights on projects. We invest a certain amount of money every year in replacing key components of our server infrastructure, our communications infrastructure, our building infrastructure, and we are replacing systems.

And that's what -- and I have neglected to mention these projects that are colored yellow. That's what those projects are. Those are reinvestments in existing assets. Nothing new. It's

replacement stuff and we fund additional funding every year and the number that you see in that new project list is the fifth year of funding. They are requesting the fifth year that they don't currently have and that's why it's towards the top of that new project list, because those are the ones that meet our criteria for the highest priority in investing in the stuff that we already got or we will lose that or lose value.

You see the network infrastructure, the facilities reinvestment, the server infrastructure, the radio communications and this is a fairly small one but it's the same philosophy we have a specified amount of funding each of the five years. This number is that year five amount.

Councilwoman Milhaven: So those are unfunded, not in your five year? So it's different list?

Public Works Director Dan Worth: We have them as the same as a new project no funding. There's no commitment to fund after year five until you fund a new CIP.

Councilwoman Milhaven: Okay. I misunderstood when you said earlier.

Public Works Director Dan Worth: I apologize. There's additional funding for projects that are not yet approved.

[Time: 01:55:27]

Councilwoman Milhaven: So share with me how and who decided what goes in the five-year list versus what's on this list.

Public Works Director Dan Worth: The five-year list is the result of our annual -- I'm going the wrong way. Our annual capital review process and our process starts with staff identifying their needs. We have several different committees. We have a technical committee, two of them, one for the communications stuff and one for building stuff that reviews the projects, the submittals to make sure that they are properly costs and everything is included and it makes sense and the scope is understandable. And that committee reviews the projects and then it goes to a leadership group, the city manager implemented a new program this year.

A capital review committee with senior -- with the directors of the largest departments in the capital program to review the list and both committees are applying prioritization criteria that we list in the budget book. It's in the CIP book. We take a look at if it's reinvestment, an existing asset. We take a look at if there's a mandate, a legislative requirement, a health and safety issue, a whole long list that we take into consideration. And then we take the whole list 80 or so different lists and prioritize them.

That's what you are seeing here that will continue through the budget process. You will have the opportunity to determine whether or not there's more or less funding to match against those. You will have the opportunity to tell us if we got it wrong and we need to increase the priority, decrease the priority on specific projects but ultimately what you decide at the end of that process is what ends

up being added for that fifth year, for next year's CIP and any changes in the first four years of that CIP. So it's ultimately the result of that process based on your approval of the CIP.

Councilwoman Milhaven: So where do we get any -- so I'm of two minds looking at this. One is so we got a problem five years down the road. Do we wait three years to solve the problem? Or are some are of our needs more urgent than that, except for your slide around matching funds for road replacement, I don't have any sense of urgency around how important it is to move forward with these projects sooner rather than later.

Public Works Director Each of these project requests -- and you will see the data, we will provide all the information to each of these project requests, has a year in which they are requesting funding. In some cases it's multiple years, they request design funding one year and one or two additional years. They identify the years they are looking for the funding. The natural tendency. If the department identifies the need, the natural tendency is to --

Councilwoman Milhaven: The natural tendency is to ask for twice of what you need and get half of what you need.

Public Works Director Dan Worth: That's part of the review process. We don't want people to have realistic estimates. Our goal is not to spend more than what's budgeted but it's also to budget properly. And to end up with a little bit of money left, but we don't want to create the impression that we are overkilling on the estimating either. I forth got where I was going on this.

Councilwoman Milhaven: Everybody wants it now.

Public Works Director Dan Worth: You have the attitude to spread it out. One of the big requests, there's an \$18 million project that you approved for year two of the current five-year CIP. So we are not spending the money now. Year three, actually and that's to make improvements in the Indian bend wash, Del Camino and the community services is actually asking to split that up and spread that out over the full five years. And that helps. That helps to make money available in the earlier years of the five-year CIP but we certainly have the opportunity to do that with other projects as well.

Councilwoman Milhaven: Again, when I look at -- I keep these things. That project wasn't on the sheet that we approved last year.

Public Works Director Dan Worth: I would have to go back through the previous processes. I will do some research on that, and I will circle back with you.

[Time: 02:00:03]

Councilwoman Milhaven: I will make a broad statement and then I will let one of my colleagues speak. Right. So we went through a huge process of whittling through \$1 million worth of projects. We have put six bond questions. The citizens said yes to two. We continue to have more requests than we have funding for and I think we need to be really thoughtful as council around which projects

we decide to do, and what are nice to do and understand what are more urgent than others and perhaps lend a little more thinking to more of the detail around this than we may have done in previous years. And so I just have a lot more questions than thoughts for direction at this time. Thank you.

Mayor Lane: Thank you, Councilwoman. Mr. Worth, you may continue.

Public Works Director Dan Worth: I didn't have anything else to present.

Mayor Lane: We have another question, in any case, Councilwoman Korte.

Councilmember Korte: I'm not sure I have any questions beyond a statement of depression, perhaps. You know, we have looked at these numbers, well, some of us have looked at these numbers for a long time and realized that our capital improvement dollars are fading away. Whether there's a question of priorities and needs versus wants, critical projects versus none, you know, glittery projects versus drainage outfalls, you know, things like that. It is clear that while we have failed to really pass two bond elections back, one back in 2013 -- or 2012 -- somewhere in there. I lost track.

We -- I think it's important that we start having a discussion again. And so I think in other council items at the end of this meeting, I will ask to agendaize further discussion on future funding of these infrastructure needs. Thank you.

Mayor Lane: Thank you, Councilwoman. Seeing to further requests to speak on this subject, I thank you very much Mr. Worth.

Public Works Director Dan Worth: Thank you, Mayor.

## **ITEM 25 – MONTHLY FINANCIAL UPDATE**

[Time: 02:03:24]

Mayor Lane: We move on to our next item, our last item on the regular agenda. That is our monthly financial update. Of course we have our illustrious treasurer, Mr. Jeff Nichols here to present. Welcome.

City Treasurer Jeff Nichols: Welcome, Mr. Mayor, members of Council. Our monthly financial update as of December 31<sup>st</sup>, 2016. You may have noticed in your packets that there was an update for the month of November. I don't feel the need to update you in November and update you with December. And go through that information.

Fiscal year-to-date, you notice the bottom line in each one of these graphic presentation, which is the fiscal year '17 revised budget, actual is approaching or exceeding in some areas, slightly less than others. I would point out the one anomaly down there in charges for services other, where you see fiscal year '15/16, and in more recent years and that was because we had the sale of the H.R. building

and the sale of the graphics building that was added to that category and has that outstanding. Looking at the operating sources, taking them down, I will get to the taxes, the local taxes later.

Some of the items that I want to bring to your attention in this area, property tax, you see about a \$600,000 positive variance of about 4% the third line down. That's just due to the way we collected taxes in the past. We tried to figure an average over three years and any deviation from that, and the way the people pay their taxes. People normally pay them in two tranches. One in the fall and one in the spring. So we're deviating from that.

You see the fees, fines and forfeitures, \$600,000. Two areas to bring to your attention. Last fiscal year we had to shut off our photo radar cameras for a period of time. Although we got them turned back off in the last fiscal year it did impact this fiscal year, as far as the rollout of that not ticketing people for the photo radar. The staff had brought forward you some issues related to parking in our downtown, the transportation and economic vitality departments reached out to the P.D. and said, while we work through this issue, could you please work with us. We're changing the parking from three hours to two hours. We're doing some other adjustments, and not ticket people and just warn people. Give them warnings versus tickets. So that was being done for a period of time. That's no longer being done. So we will probably see those through the end of this fiscal year.

The charges for services, others. It was related to some areas in community services. The \$400,000, 13% favorable variance was billing for stadium rental and last fiscal year but we can't select those rented until this fiscal year. We have the budget to actual difference. We look at the operating sources for the sales tax and several of the areas graphically represented either exceed or a little bit less than the revised budget figures and here's a better representation.

The one I really want to draw your attention to. You can see overall the bottom right-hand corner we are \$500,000 or 1% off, our, or get the ins and outs on most of them, about four down, you see other activity. And what this is, we're seeing unfavorable variance to the annual tax license renewal payments that we are receiving. As you recall, this is first year of ADOR doing our renewals. Each year around September when they were supposed to do them, they would tell us well, can you help us and work with us and of course we always said yes because we wanted it done correctly. This year knowing that the house had said no, we will start on January 1<sup>st</sup>, it's a hard date. They came to us and said we think we are ready for the renewal. Whether you are ready or not, we are not doing them. We are not helping you anymore. So we think we are seeing the outfall of that. We hope err with not.

I'm told by staff that we will at some point in time have the records to match up to our records to see if, in fact, all of our businesses are renewing their TPT licenses. I just wanted to bring it to your attention because next month, when I come forward in February with the January numbers, that will be the first month, February, where they are connecting -- wait. It won't be until March. I'm sorry. When I'm coming forward with February numbers and we'll see if the tax receipts are -- are up to par with what we have been used to over the years.

General fund, 1% sales tax year over year change. You see 2.5% for the month of December. You

see that little dip in the month to month comparison with the prior month and that had to do with construction sales tax issues that was found. Someone put in a claim. We reviewed their claim. We refunded -- claim. We refunded their money and we paid more than we had to and it had a negative impact on the month of November. Overall, I can tell you in that area, we were within \$400,000 of budget for the month of October. So our collections weren't down that month. It was really impacted by a large refund given to one taxpayer.

General fund operating uses. Good news for most of the actuals, the light gray line, not the one with the crisscross through it are less than our revised budget which is a good thing. And so when we look at the numbers themselves you see we have about \$3.9 million and budgeted savings at this point in time, I will get to the personnel uses later. You see 2.9 million or 9% in contracted services. Mr. Worth was talking about some of the projects that they do, they keep the lights on projects. In his operating budget this year, he has 68 projects. 20 of those have been completed. Nine are under design and 23 are in project and others are not started. If he completed his plan in public works area and facility maintenance, this is really a timing issue, a budget spread issue. We don't expect to see \$2.9 million in savings.

Same in commodities. We are seeing some savings in both fleet fuel which may lend themselves to being available at the end of the year, assuming that gas prices maintain their current rates. You notice the transfer out there of \$1.4 million, a negative variance. That was related to the replacement of the SCBA equipment for the fire department. They have been on board for over ten years and needed to replace that equipment. The fire department committed a grant for that and so the city manager was working with that and didn't want to include it in the operating budget if we didn't have to. And so he didn't but had made a promise to them that they could bring it back a contingency transfer that is what was done.

General fund operating uses on the personnel services. Again, you see some salary savings some retirement savings, health and dental on down the line. The numbers in the salary savings most of these are related to filling positions that were budgeted at a higher rate than the people that are filling those positions. We're also seeing some salary savings within the community services area, and, again, mostly due to filling positions of long-time employees. Some the retirement savings, these or costs that are tied to wages rolled down off those savings. The total \$1.6 million, it is possible that it may be there towards the fiscal year. We'll keep a close eye on it.

You also see, though, in this year's actuals, are a little bit higher when you look at '14/15 actuals compared to '16/17, that's an extra pay period in this year compared to those -- the fiscal year '14/15. I would like to remind you, we talked a little bit about unreserved fund balance earlier and this is the one year we have been talking about the 27 pay periods in the fiscal year. So that will have an impact on the unreserved fund balance as will some other things. So general fund operating expenditures by division, again, most divisions at or under budget. Another good thing.

Looking at Mayor, council and charter officers and my office, we had budgeted for a payment we are not making to ADOR that accounts for the majority of that 500,000 or 4%. Going down further to the significant items and the areas community services, mostly related to salaries. Again hiring people at

lower salaries than the people vacating those positions. Also some part-time positions not filling positions readily.

Police are seeing a significant amount of savings in overtime to date, more than \$500,000 for the first six months of the year, which is a good thing. However, it's kind of masking public safety fire has a negative variance in their overtime of almost the same exact amount went discussed those positions in the fire, almost 17 of them that are not available for duty for one reason or another. And so they are having to fill those positions because in fire positions are constant staff.

So if you look at this time in the fiscal year, we thought we would be negative \$3.4 million balance, change in fund balance and actually we're at 1.7 with the difference being a positive \$5 million variance which may or may not all remain at the end of fiscal year. And with that, I would take any questions you all might have.

Mayor Lane: Thank you, Mr. Nichols. Very comprehensive. I have see no questions from the council. I think we have it all covered.

City Treasurer Jeff Nichols: Thank you.

Mayor Lane: Thank you very much. We have no further public comment, and no petitions and Mayor and council items. I would ask for a motion to adjourn.

Councilmembers: So moved.

### **MAYOR AND COUNCIL ITEMS**

[Time: 02:14:37]

Councilmember Korte: Mayor, under Mayor and council items. I would like to request to put -- place on a future agenda a discussion regarding funding future CIP projects. Discussion.

Mayor Lane: And -- let me just ask the question. Are we not going to go through that process as we go through the capital -- the budget process with CIP?

City Manager Jim Thompson: Mr. Mayor and members of council, yes, we will. If you want to place that out there as a defined item outside of the budget process, we are happy to do that as well.

Mayor Lane: Would you like to do that?

Councilmember Korte: I would like to do that.

Mayor Lane: Okay. So there's a request to have a separate agendized item for discussion of funding of the CIP. So unless there are any other questions on that, we should take a vote on that to agendize that.

City Clerk Carolyn Jagger: Do we have a second, Mayor?

Vice Mayor Littlefield: Second.

Mayor Lane: Yes. Thank you very much. Now we are ready to vote. All those in favor please indicate by aye and those opposed with a nay. Aye. Unanimous. Okay. So we will have that agenda item sometime in the future.

All right. I think that then does complete our business and I would ask for a motion to adjourn.

Councilwoman Milhaven: Move to adjourn.

Councilmembers: Second.

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