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CALL TO ORDER

[Time: 00:00:07]

Mayor Lane: Good evening, everyone. It's nice to have you here with us. I would like to call to order our February 20th, 2018, City Council meeting. This is a Regular Meeting.

ROLL CALL

[Time: 00:00:13]

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

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Virginia Korte.

Vice Mayor Korte: Here.

Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

Carolyn Jagger: David Smith.

Councilman Smith: Present.

Carolyn Jagger: City Manager Jim Thompson.

Jim Thompson: Here.

Carolyn Jagger: City Attorney Bruce Washburn.

Bruce Washburn: Here.

Carolyn Jagger: City Treasurer Jeff Nichols.

Jeff Nichols: Here.

Carolyn Jagger: City Auditor Sharron Walker.

Sharron Walker: Here.

Carolyn Jagger: And the Clerk is present.

[Time: 00:00:36]

Mayor Lane: Thank you. Items of business we do have cards if would you like to speak on any of the agenda items or for Public Comment. That's the white card that the city clerk is holding up over her head right now. If you would like to give us some written comments we will read through the proceedings, they are the yellow cards what which she currently has over her head right at the moment. And they can help you with that.

We have Scottsdale police officers, Tony Glenn and Jason Wells who are directly here in front of me if you have need of their assistance and the area behind the Council dais or for the staff and the Council access only, but we do have facilities over here to my left under that exit sign there. And that's the extent of our business in that regard.

PLEDGE OF ALLEGIANCE

[Time: 00:01:30]

Mayor Lane: If you could, if you are able, I would like to have you join with us in the Pledge of Allegiance and Councilwoman Littlefield lead us in the pledge.

Councilwoman 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: 00:02:07]

Mayor Lane: Thank you. In place of an invocation this evening, I would like to just take a moment of silence for the school shooting victims and their families from the Marjory Stoneman Douglas high school in parkland, Florida, if you would. Just a moment of silence, please. Thank you.

PRESENTATION OR INFORMATION UPDATE

[Time: 00:02:45]

Mayor Lane: I have no report this evening, but we do have a presentation or an information update from the Charros annual update, with Dennis Robbins and Todd Peterson.

[Time: 00:02:58]

Charros Executive Director Dennis Robbins: Good morning or good evening, Mayor and Council. Glad to be here. We also have with us Matt White, who is our Patron next year. So he just wanted to get a little face time. And, yes, Todd and I did call each other to dress the same tonight. So we're going to start our presentation off with a short video, and then go through a couple of PowerPoint slides. So Brian, if you could start the video, please. No? Pardon me. No video. Okay. We'll then go right to the slides. First slide, please. Or do I control that?

Todd Peterson: Who are the Scottsdale Charros. We were formed in 1961, to promote the city of Scottsdale through sports and cultural activities. Our membership and foundation are focused on providing support and funding for local youth, education, and local charities. Over our 57 years the Charros have held many leadership roles in Scottsdale, including Mayors, Councilmembers, police and

fire chiefs. Today we remain committed to bringing leadership, vision and action to benefit Scottsdale and its citizens.

What do the Charros do? We host spring training baseball at Scottsdale Stadium. We provide leadership and support for education initiatives. We make charitable contributions to Scottsdale charities. We promote and support Scottsdale's western heritage and we look for new and innovative ideas to solve complex issues within the city. Spring training baseball is what we are best known of. The Charros have hosted spring training baseball since 1965. We have had five different major league teams that have called Scottsdale stadiums home, the Orioles, the Red Sox, the Cubs, the A's and the Giants. The current stadium was built in 1992, via a bond approved by voters and to date, the Charros contributed over \$1 million to the capitals improvements fund. More than 200,000 people attend Scottsdale stadium each year. We have close to 10,000 guests attend our Charro lodge in right field. We produce and sell 9,000 baseball magazines per year. Spring training economic impact in the valley is roughly \$544 million annually, as compared to the Super Bowl which was \$500 million.

Youth luncheon and clinic is something that we have put on for over 300 Scottsdale Unified school kids. Last year our net revenues from spring training exceeded \$800,000. And the Charros paid over \$250,000 of stadium operational costs like police, fire, and medical. Charros members contributed over 4,200 hours in the promotion of operations and spring training and the Charros are the largest customer for tickets and food and beverage at Scottsdale stadium.

[Time: 00:06:44]

Dennis Robbins: So one of the things that we like to do is promote the western heritage of Scottsdale. Last year we had our 56th ride where we had close to 200 people. We're a signature sponsor of the Scottsdale Museum of the West. We made our largest contribution ever of \$250,000 to the building of museum. And we rode in the Parada Del Sol and this was our 52nd year. Education is another thing that we are passionate about. These are some of the things we do. We give scholarships and grants and stipends and I will highlight a couple of things. We along with the school district select 30 teachers of the year, a teacher from every school gets selected and they receive a stipend and presentation and flowers and then we invite them to our teacher of the year banquet which is April 20th, which you will get an invitation to come to.

And we celebrate education in Scottsdale. It's a great event. Another thing here is teach Arizona scholarships. So we have student teachers that come into Scottsdale schools to learn how to be teachers. They are usually seniors in college. And we provide scholarships for them. So they are going to school full-time and teaching full-time. They don't have time to work. So we help supplement their income with that. This year, we doubled down on that, and we spent twice as much as we normally do. We have 20 student teachers at Coronado, because Coronado is in such a need for that type of a thing going on there and so we added 20 teachers and it's been a great thing. The student teacher ratio is really important at the high school level and so to have 20 extra bodies this has been fantastic.

So charitable donations, the Charros doesn't start out to be a charitable group. We were here to promote spring training, promote Scottsdale but over the years we have gotten pretty good at raising money. And I have dug down deep and throughout our history, I found that we have given back over \$15 million into the Scottsdale community, and last year, we were able to give back \$1 million alone. So about half of that goes to local charities and the other half goes to education here in Scottsdale. Back in the '80s, there was a baseball strike, and so spring training didn't happen, but our charities still needed money. And so we decided that we would start a foundation, start putting money away every year, and kind of a rainy day fund. In case there's never spring training again, which we don't hope that to happen, but if there were, we would put money aside so that we can take care of local charities in Scottsdale in case there isn't spring training that year.

A couple of years ago, we took advantage of the state tax credit, and we're an umbrella organization, and we thought, well, we give a lot of money to the local charities anyways. Why don't we collect money through the state tax program and give to the charities that we already support, qualified charities, qualified foster care and it's able to give us, able to give the community a lot of money through this program and it's been very successful for us. One the things that the Charros do is we're innovative in the programs that we do and the service that we offer, but we also have a lot of members who are very innovative in what they do, outside of the Charros. We have Charros that help to start and fund the Scottsdale Community College. We have those that helped with the Scottsdale who started Scottsdale Unified District Foundation, BUSS and we try to do things outside of our group and within the community to benefit Scottsdale.

[Time: 00:10:30]

And lastly, one of the things that we're really excited about is the Coronado success initiative so that blends our innovation and our education passion and us along with the school district and A.S.U. partnered to help turn around Coronado. And recently at a BUSS breakfast, they revealed some statistics about how that's going and I wanted to share those with you, make sure you knew what was happening there. So some of the early results are positive. The number of students with a grade below 2% is down 38%. The number of students failing a course down 17%. The number of students who have applied to ASU, NAU and U of A is 93 and climbing. And the percentage the students who filled out college applications on college and career day are 70%. Now these are big strides and things that are happening but we have only just begun. The Coronado success initiative is only in the seventh or the eighth month and so there's a lot of work to be done.

As you can see from here, there's good things happening. We are really encouraged by that. So that's our annual update. Make sure you come out to spring training. When you buy a spring training ticket, you help the Charros and the charities and the educations here in our great city. So with that, we're happy to answer any questions.

Mayor Lane: Well, this presentation period. We don't have questions for you. It's verboten on the agenda for discussion. This is very nice to hear and know a little bit more each time of what the Charros mean to our great community. Thank you.

>>Dennis Robbins: Thank you, Mayor and Council for all you do.

Todd Peterson: Thank you.

Mayor Lane: Okay.

PUBLIC COMMENT

[Time: 00:12:15]

Mayor Lane: Our next order of business is Public Comment. That's reserved for citizen comments regarding non-agendized items of which no action will be taken. Comments are limited to within the jurisdiction of the City Council, and speakers are limited to three minutes for a total of five speakers. And there will be another opportunity at the end of this meeting for another Public Comment session if needed. We do have two requests to speak for Public Comment. And, oh, it's going to be a tough one. Mr. Bronstein. Pardon me. First name is? Stanley. Okay. Thank you very much. You're a doctor, undoubtedly.

[Time: 00:13:14]

Stanley Bronstein: My name is Stanley Bronstein, I live at 11458 East Sweetwater Avenue in Scottsdale. I'm an attorney and I'm here as the president of the Ancala West homeowner's association, that's located next to Taliesin west. And hopefully Brian does have my presentation. Greetings, Council. Thanks for having me here.

Mayor Lane: Thank you, Mr. Bronstein.

Stanley Bronstein: Thank you. And I'm available to meet with you any time you wish to.

Mayor Lane: Sorry, we don't clap or boo. I appreciate that, though. Thank you. Next would be Sergeant Von Berry.

[Time: 00:16:49]

Sgt. Van Berry: Mayor Lane, Councilwoman Milhaven, Councilman Phillips, and other members of the Council, thank you. I'm here to talk about the scourge we have seen all over Scottsdale with these lime bikes, and I should mention I work in private and public security and part of my job involving asking questions to people. Ensuring the highest levels of safety and being vigilant and observant. I have asked a lot of people their opinions on these bikes. They have been dumped upon the city. They are everywhere. They are in front of benches. They are in front of the streets and on walkways, and they are blocking sidewalks. The number of tightly grouped and abandoned highly visible public bikes is becoming out of control. They are eye sores. They are safety hazards.

They are unfair competitors to bike cabs, real cabs, Uber and Lyft drivers and even reducing the

efficiency of already established shuttle and public train and us about lines. This is not about profits for them or any quality improvement of life for us. The model is unsustainable and most people will not ride them past the free first ride. This was about free advertising, and enforcing a leftist agenda from the Silicon Valley investors including Rick Andreson and George Soros by normalizing public ride sharing. The problems of these include low performance and safety of these heavy engineless mopeds, constant relocation which is haphazard, inconsistent, fuel and labor intensive.

Also a risk of theft and vandalism, requiring undisclosed and unknown cost to the taxpayers through police administrative actions and on the beat actions of prevention and recovery of these awful bicycles. Problems in the other cities include Miami Beach. They have been fining the company \$1,000, for the bikes abandoned for a long period of time. The C.E.O. says he's going to put 20,000 of these bikes in D.C. In conclusion, I would like to say when we were young, we all had pride in our bicycles. We either took good care of them or we did and we washed them, maintained them, oiled them. There's pride in ownership. These things unlike shopping carts that are left abandoned, they will go to their rightful owners. The owners don't care about them. It's all about the advertising and pushing this agenda, which is ultimately ride sharing of automobiles, which is their ultimate goal. So I would urge you, Councilmembers to act upon this, before, sooner than later. You know, enact heavy fines on both the companies and these riders who are irresponsible, make Ordinances and enforce this, because it's becoming a blight on our great community and they are just dumping more and more of these ugly bikes. Thank you. My address is 8608 E. San Ardo Drive in McCormick Ranch. Thanks.

Mayor Lane: That completes the Public Comment portion of our meeting.

CONSENT AGENDA

[Time: 00:20:11]

Mayor Lane: Moving on to Consent Agenda Items 1 through 15, there has been a request to pull Item 11 for a separate discussion and vote by Councilman Smith. So that is not included in the Consent Agenda items that we will talk about. There is another item of issue that we have regarding Item 3, the optima Sonoran Village abandonment. The applicant has requested a continuance to March 6th. So the motion to approve the Consent Agenda needs to include the Item 3, I'm sorry, it needs to continuing Item 3 to March 6th. Do I have a motion for the consent Items absent Item 11?

Vice Mayor Korte: Mayor, I would like to make the motion to approve Consent Agenda Items 1 through 15, sans Item number 11, and number 3, is a continuance as requested by the applicant.

Mayor Lane: Thank you for that motion.

Councilwoman Littlefield: Thank you, Mayor. I would like to pull number five also.

Mayor Lane: I'm sorry. I thought it was on this item particularly. Okay. That's good. So we will have to pull that off. Would you amend then for Item five?

Vice Mayor Korte: And with the exception of Item 5.

Mayor Lane: Do I have a second then on that motion?

Councilwoman Littlefield: Second.

Mayor Lane: Okay the motion has been made and seconded. Pardon me, Councilwoman Littlefield on that.

[Time: 00:21:44]

City Attorney Bruce Washburn: I want to make sure I understand correctly, that the continuance of Item 3 is to March 6th, and that's part of motion?

Mayor Lane: Yes, I'm sorry.

Vice Mayor Korte: Thank you.

Mayor Lane: Okay. And then, of course, moving Item 5 to the Regular Agenda.

Vice Mayor Korte: And 11.

Mayor Lane: And Item 11 to the Regular Agenda. So we get that all in the motion? I think. Okay. Are we continuing Item number 4? No.

Councilwoman Milhaven: It's already noted.

Mayor Lane: Okay. That motion has been made as amended and has been moved and seconded. We are then ready to vote. All of those in favor, please indicate by aye. It's unanimous as the motion was stated in agreement. Okay. So if you are here for any of those consent items that were just approved, certainly you are welcome to stay for the rest of the meeting, otherwise, you can leave quietly.

REGULAR AGENDA

ITEM 5 – LOUNGE GROCERY CAFÉ REZONING

[Time: 00:23:22]

Mayor Lane: Moving on to our Regular Agenda items, which now include Items 5 and 11. What we will then do is just start with Item 5, which is the Lounge Grocery Cafe Rezoning and it's a request to adopt Ordinance 4332, approving a zoning district amendment from multiple family residential, downtown overlay, to downtown/downtown multiple use, type 2 downtown overlay. And, well, let's

see it's not Randy grant. But I'm sorry.

[Time: 00:23:53]

Planner Ben Moriarity: Mayor Lane and City Council, good evening. Ben Moriarity, Planner, the city of Scottsdale. I will be presenting the Lounge Grocery Cafe, 19-ZN-2017. As Mayor Lane mentioned, this is a request by the owner to rezone the property from multiuse, or excuse me, multifamily residential with the downtown overlay, to downtown multiple use type 2 with the downtown overlay. And the site is approximately one half of an acre, and it's located at 3703 North 69th Street. Oops. This is the vicinity. It is on the south side of 2nd Street and on the east side of 69th Street.

This is a close-up aerial. You can see that Second Street is on the north side of the property. 69th is on that west side and 3rd Street is on the south side of the property. This is the existing zoning. You see the R-5 DO and the proposed downtown multiple use type two with the downtown overlay. The General Plan land use map designated all of downtown as mixed use neighborhoods, and it refers to the downtown plan.

In the downtown plan indicates this area as the downtown multiple use type 2. There's an increased view of that. This is their site plan, which may be difficult to read, but the essence of it is the hashed area, is where they are looking to convert one unit of this complex into a neighborhood grocery cafe. You also note that they would be doing site improvements to increase the accessibility of the site and including a refuse enclosure and refuse, that would be consistent to our current standard. The applicant is here to give her presentation as well.

Mayor Lane: All right. If they would like to come forward and.....

[Time: 00:26:23]

Applicant Carol Garey: Thank you, Councilman. My name is Carol Garey, and I'm the owner of the Lounge with my business partner Rebecca Suther who is not with us today. I'm not sure how to run this. Can someone change the slides for me? Okay. I have been a property owner and property manager in Scottsdale for over 20 years. I have been an Arizona resident and we have started the Grocery Chef Kitchen LLC in order to accomplish what we would like to do with our building at 69th and 2nd Streets. Our project goals and objectives is to provide a much needed upscale neighborhood marketplace for Old Town Scottsdale's garden apartment district.

This rezoning request to multiple use would promote private investment to the downtown and its adjacent residential and commercial neighborhoods. It further attracts not only new, but also redevelopment to the downtown area. To achieve this, we are going to utilize the one unit to put in the grocery. The site plan that Ben talked about includes the parking layout, secured bike parking, as well a dumpster enclosure. The goal is to provide a place to shop, eat, and to socialize to further connect and improve the quality and the safety and the diversity of our neighborhood. Location would support an economic vitality and highly sought after community promoting and selling locally

produced products.

Due to the substantial number of multi-units that have been built in our neighborhood, condos and apartments, this location would prove to be very pedestrian and bike friendly. Minimizing the need to drive, thereby reducing road congestion. It's a simple task as grabbing an espresso, a sandwich for lunch and also purchasing ingredients at the grocery to take home to make it home. And the store hours we are looking at doing would be conducive to not hindering the serenity of our surrounding neighborhood. The next slide just as a conceptual view of what the building looks like now, with the patio in front, that's an existing patio, but that's where we would have the outdoor seating, where you could walk up and walk into the grocery.

The next slide is just an interior view of what we would think it would look like, it's upscale, deli, food to take out and to eat and we held our meeting back in August 17th to a very, very positive group of people that came. The other thing that was very interesting with this is the comments that were made but also that 85% of the people that came to our meeting walked or rode their bike to our meeting and that's what we really want to promote more, you know, pedestrian and bike traffic. Some of the comments that the people made, where it's needed and necessary, another comment, fantastic concept, a quality food mark with ready to eat gourmet will be totally what people need and expect in this classy city like Scottsdale.

My other comments, you know, you can read further. But, you know, basically, it's, it was very, very well received. So in summary, the garden apartment neighborhood in Old Town is a unique community where residents and visitors enjoy an enhanced standard of quality living. Residents of this neighborhood can walk, ride a bike or catch a trolley to upscale resorts, restaurants, shops and museums. A range of employment students contribute to Scottsdale's reputation as a premier destination, a place to live, play and work. The addition of the marketplace will further contribute to the fabric of the downtown. So thank you very much for your time.

Mayor Lane: Thank you. Councilwoman Littlefield, since you asked for this, do you have a question or comment?

[Time: 00:31:02]

Councilwoman Littlefield: Thank you, Mayor. I would like to ask you a couple of questions. We have received a number of emails and notifications from citizens with questions and comments and concerns about this, and I would like to ask you directly if those have been addressed. They are worried about the increase in traffic, the trash and the noise, and many residents in the lounge currently park on the street. There's extremely limited curb space available and what are we going to do with the additional vehicles? The Lounge currently has no recycling pickup and there's only one trash container that's in the carport area and it would not accommodate the extra waste generated by a cafe grocery store. Those are the concerns I have, especially the last one. And if you could answer that.

Carol Garey: As far as the garbage location? We are locating our dumpster to the center of our

property, which gives better access for the garbage pickup to come in. And as far as the parking goes, we have enough spaces that were designated as well as A.D.A. spaces that the site plan, which was kind of hard to see here addresses that as well. And the point being with this, is the increased traffic by car traffic, we are not looking to bring people from all over Scottsdale.

This is basically designed to be a neighborhood-type grocery store that people that live, work, close by can utilize, because people that most likely will be getting in the car to drive to a grocer will go to the Safeway's or the Fry's or the bigger stores. This is specifically, you know, to benefit our neighborhood that has, is increasing in population very rapidly. So was there another question that I missed?

Councilwoman Littlefield: No, that was mostly what I was concerned about, was the trash pickup and the garbage cans that we had enough there to handle both the marketplace and the neighborhood that's going to be.....

Carol Garey: Well, it's our own trash can that's there now and we will be putting in more that will be required.

Councilwoman Littlefield: All right, thank you.

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

[Time: 00:33:27]

Vice Mayor Korte: Thank you, Mayor. For a long time we have been talking about the need for a neighborhood grocery, deli, place to get a sandwich, get some coffee for the next morning's brew, whatever that is. So congratulations. I think this is great. And with that, I move to adopt Ordinance number 4332, adopt Ordinance 4332.

Mayor Lane: Thank you. Motion and second? Seconded by Councilwoman Littlefield.
Councilwoman Milhaven.

Councilwoman Milhaven: I want to clarify with staff, the cross hatch on the site plan, with this rezoning, the grocery use is stipulated to only be approved to happen in the cross hatched area? Yes?

Ben Moriarity: Mayor Lane and Councilwoman Milhaven, yes. The zoning is for the entire site. The stipulation is to the site plan that you saw. So if the applicant wanted to come back to redevelop more of their site, there would need to be an amendment to this zoning so you would see it again if they are looking to see something different.

Councilwoman Milhaven: So I got an email, saying if the grocery fails, they could build a Circle K. I doubt that the zoning would allow that to happen.

Ben Moriarity: Mayor Lane and Councilwoman Milhaven, that's about 1500 square feet and like I mentioned before, it is stipulated with this approval. So if they wanted to change more on this site, they would need to come before Council.

Councilwoman Milhaven: Come back to us. Thank you very much.

Mayor Lane: Thank you, Councilwoman. There's a motion made and seconded. Seeing no further comments, I think we are now ready to vote, all of those in favor please indicate by aye and register your vote. It's unanimous in the passage then 7-0. Thank you very much for the explanations and for the input.

ITEM 11 - Scottsdale Arts District Marketing Agreement

[Time: 00:35:29]

Mayor Lane: We will move on to the second item that we have moved to the Regular Agenda and that is Item 11, as Scottsdale arts district marketing agreement and this is a request to adopt Resolution 11033, authorizing agreement number 2018-028-COS with Scottsdale gallery association, in an amount not to exceed \$30,000 to produce and distribute the 2018 Scottsdale Arts District Guide. We have Ms. Churchard here for presentation on this item, I would presume.

[Time: 00:36:00]

Tourism and Events Director Karen Churchard: Good evening Mayor and Council. This project came about through the Tourism and Events Department, to expand the marketing of Old Town Scottsdale. And the purpose really is to provide matching funds through reimbursement of qualifying marketing paid expenses. We want to encourage innovative and collaborative marketing programs by the business community, our hospitality industry and attractions and we want to increase the visitation as I mentioned to Old Town Scottsdale and we want to support those that reach a targeted niche audience.

This project came from the Scottsdale Gallery Association. They expanded a guide a couple of years ago. They expanded greatly to 86 pages and it was confined to the Main Street area and now it was access to the whole arts district area which will range from the civic center where we have our center for performing arts and the SMoCA museum, all the way to the Museum of the West and then down Main Street and marshal way as well. The actual first printing will be 35,000 copies which will be distributed to 25 hotels, both in Scottsdale and in the metropolitan area. And they will be mailed to 4,000 homes that have sold for \$800,000 or more in the past five years. And the second printing would be 20,000 copies that would all be mailed to Phoenix metropolitan homes. And it also includes a full page ad for Old Town Scottsdale as well as logos of both the city of Scottsdale and the Experience Scottsdale as well. So staff is recommending that you approve the Resolution and the contract agreement between the city of Scottsdale and the Scottsdale gallery association.

Mayor Lane: Thank you, Karen for that explanation. Now, Councilman Smith, you have raised this

to the Regular Agenda if you have a question or a comment.

Councilman Smith: I do. Thank you, Mayor. I hope the public was paying attention because it really is a great product. For any of you that have not seen it, this is the Scottsdale arts district 2018 visitors guide, and as Karen said, it's an outstanding collection of advertisements for local businesses, dining, hotels and so on and so forth. I want to, among other things give a shout out to the Bob Pejman. I think a lot of work on their part individually went into this product. It's a great product which has been well received by concierge and I'm sure will be an attractive guide for anybody wanting to shop or dine or visit the downtown area. That's all of the positive stuff.

I did have a question, because I know we are trying to support what we are doing, and certainly applaud what we are doing in support of their efforts. I think Karen, I would ask you, why is this coming out of your budget as opposed to the TDC budget or perhaps even more pointedly, the budget of Experience Scottsdale since it's a marketing document?

Karen Churchard: Well, the process we have been talking to the SGA for quite a number of months and we do have \$100,000 budget in our General Fund, which we have only utilized about \$30,000 at this point. So that was the budget we felt that was most readily available for the process that we went through. And the second part of your question?

[Time: 00:39:47]

Councilman Smith: Well, maybe it's coming out of your budget because you have budget to support. I think in the future this might be an ideal way for Experience Scottsdale to stand call on their commitment to work with downtown, since this is a marketing document, but either way, I mean, I'm in favor of it being funded. I certainly support the partnership. And another question I have which may or may not be to you, Karen, there is a section in here, Section 4, which imposes on the Scottsdale Gallery Association certain obligations. Among them being that they have to make their books and records open to audit and review and all of that sort of thing. I don't think anybody has any problem with that. That's certainly reasonable.

But the last two sections of Section 4, the next paragraph says that the Scottsdale gallery association is going to require all of their subcontractors, their insurance agents and their material suppliers and so on to do the same thing. And I don't know that realistically they can possibly do that. I don't know that they can require the post office to give them a statement that will allow the city auditor to come in and check whatever she wants. And then the next paragraph, if there is an audit according to this section and they discover as much as 1% error, which is \$300, by the way, that the cost of the audit will be paid for by the Scottsdale gallery association without any limit or definition of what that cost might be.

These two paragraphs, I find, in one case impossible to attain and the other case just flat punitive agreement. I applaud what we are trying to do, to support the local initiative, the business owners themselves rising to the need to market their area and they are supported by the city. They are supporting the city, and then we put phrases in like this. So I'm very much in favor of this agreement.

I'm enthused about it and I think it's going to be a great partnership. I make a motion that we adopt motion 11033, excluding from the contract the last two paragraphs of Section 4, and I think I would urge the city auditor, the city attorney or somebody in the city to figure out some more transparent way to do business with our partners than to impose impossible and punitive agreements on them. That's my motion to approve Resolution 11033 and the attached agreement, minus the last two paragraphs of Section 4.

Councilwoman Littlefield: I will second that.

Mayor Lane: The motion has been made and seconded. Would you like to speak toward it?

Councilwoman Littlefield: Yes, thank you, Mayor. I think that this is way too restrictive and too minuscule for something like this, when you have a \$30,000 contract and you require the bids to come in at 1% or under 1% variance, on something like a marketing brochure, I think \$300 is the changing of one layout, when you go to publication. It, it doesn't make any rational, logical sense from a business point of view to require that tight of restriction. Yes, if we do an audit, all of the invoices should be available so that the auditor can see them, look at them, study them, make sure that everything is in line. But you don't put such tight restrictions on it that you almost guarantee that they fail and I think that's outrageous, we shouldn't be doing that to our contractors.

And also contractors themselves, the subcontractors that these people hire to do a lot of this work, they are not going to sign this type of contract which makes them then come before the city to open their books. That's not going to happen. I find that to be too much, too much government interference on a small contract like this. Also, we are not requiring this on many of our other contracts, but we are on this one. I think it's discrimination and discriminatory to this area. I will be supporting this motion. I think it's rational. It's logical. We need to come up with a better wordage, a better way of putting this together.

Mayor Lane: Thank you, Councilwoman. Ms. Churchard, as far as the funds on this, are we talking about the funds that were allocated and authorized by this Council for spending on just such projects within downtown? Are those funds that were specifically categorized for this or are these from your basic budget? Are these from your original departmental budget?

[Time: 00:45:13]

Karen Churchard: It's through the operating budget, which the Council did approve for this fiscal year.

Mayor Lane: And were those funds not apportioned or maybe entirely funded through the tourism development funds, the bed tax as we commonly refer to the bed tax funds?

Karen Churchard: Mayor Lane, this particular ask to use General Fund advertising for the downtown budget that was approved through the operating budget. So it's not bed tax dollars.

Mayor Lane: And it's not part of what was authorized in the overall, I forget what the total amount was, 700 to \$800,000, it's not part of that at all?

Karen Churchard: It's not part of that.

Mayor Lane: All right. Well, that's a good distinction as far as I'm concerned, even though I'm not opposed to this type of thing, other than the fact that we are going to a specific organization, which is somewhat outside the realm of what we normally do in perfecting and advertising our Scottsdale experience. But if I were to set that aside for just a moment, and just ask, on the audit, these terms, my understanding of these terms are standard audit terms. Is that what I say, within the contract, the boiler plate as we would commonly refer to it? Maybe I can ask the City Auditor if that's the case.

City Auditor Sharron Walker: Mayor, members of the Council, yes, the provisions that are in this contract are standard in the template that is used for most contracts. Not every contract. For example, the, some of the long-term contracts that the city has with certain partners, like Experience Scottsdale, like the Museum of the West, they have unique audit requirements. For example, in the Experience Scottsdale section related to audit rights, they are required to submit an audited financial statement every year. They are required to make quarterly and annual performance reports, and then there's also a performance audit requirement that's stated very broadly that they agree to provide any information related to the contract that we request. So, other than those unique long-term partnership-type agreements, this is the language that is standard and contracts over \$10,000 for certain types over \$15,000. So it is standard language.

[Time: 00:47:43]

Mayor Lane: Okay. So it's standard language. It's not discriminatory in its application here, even though it may be found to be significant intrusion on, particularly on the subcontractors. Given our experience, even on auditing contract and contractors, I'm certainly one that would be more apt to be stronger in audit requirements rather than weaker in them. And so I won't be going for this motion on the first hand, just simply because of that. I'm a little concerned as to what exactly is being suggested here that we start eliminating issues of some adherence to it. I don't know that this is something that maybe should have been discussed in negotiations on this earlier on, but at this point in time, to just flag it for a variance or I should say a waiver for the audit provisions. It's not something I would support.

Sharron Walker: Mayor, if I could comment. The question was raised. I didn't agree to changing this particular contract, just because it is standard language. I do think that it raises a valid point, that I should take a look back, because it is the language that has been put into contracts from long before when I became auditor, eight and a half years ago. And we have never, even though we have identified over charges, we have never actually charged a vendor. I believe that that language was put in there for egregious instances, where it's intentional. We have never charged for the cost of an audit, even though that provision is a standard provision.

And then the access to the subcontractor insurance agent and vendors requirement, I don't know why that language was originally put in, there but we have had a couple of instances where we have had to go back to a contractor's third party providers or contractors. It does not happen very often. So just, just on the basis that we have had instances where we have had to do that, I didn't agree to take it out without giving it more consideration in terms of what should go into all contracts, rather than just carving it out of this one as a one off situation.

Mayor Lane: And I suppose my concern is sitting here on the dais, that we suddenly start eliminating provisions on the basis of, pardon me for using the expression, sort of a feel good on this. I understand that. If this is something that needs to be looked at and frankly management is looking at it, maybe we should be looking at it, but I would hate to be deciding from here as to what we do or don't do, with regard to audit and protection of the taxpayers funds, particularly as general operating funds as well: If I might just ask one other question, Karen, and that is, was this not considered a more valid application of tourism funds, as was prescribed by this Council when we made that allocation of funds for downtown, marketing thereof? Why was this not accepted under that program?

Karen Churchard: Mayor Lane and Councilmembers, we looked at the program, and we actually said in the Council city report that this would be a pilot program. So we wanted to have the staff, our staff came up with the criteria for the program, working with other entities in the downtown area. And our intent is that moving forward, we would come back to Council, as part of our event development, and now maybe a marketing-type program, a new funding mechanism through the, through the actual bed tax monies. So our intent is to come back in a few months with the program for next fiscal year using bed tax dollars.

Mayor Lane: Well, I guess in my estimation, it would seem reasonable if we are going to have a pilot or a test program, that it would follow the same thing as everything else we are doing with the \$1 million or so dollars that have been allocated to downtown from the bed tax dollars. A lot of those are first-time efforts. Maybe it's not all together new thing, but it is a marking element for downtown. So I'm, I'm not particularly swayed by the idea of having it thrown into General Fund. It just sounds like now we have another source, another program, and another allowance for seemingly the same kind of direction. So I'm sorry, Mr. Washburn.

[Time: 00:52:23]

Bruce Washburn: Thank you, Mayor. I did just want to point out in connection with to whom it is that this provision would apply, and what the documentation would be, that would be required. The materials that have to be available to the auditor, are those necessary to substantiate the correctness of invoices. So subcontractors would not have to open up all of their books they would have to agree to allow inspection of the materials necessary to substantiate charges made to the city, and the provisions are supposed to be in contracts that the, that they have with subcontractors, vendors insurance. So the service providers like the post office, for example, this would not apply to the post office, because they are not a material supplier or subcontractor. They are not performing work of them, of the contractor.

Mayor Lane: I appreciate that clarification. Councilwoman Milhaven.

Councilwoman Milhaven: I think my questions have been answered. I think I heard from the auditor that this is boiler plate and my question to the attorney was going to be what would be the risk in our relating these two sections? I think you have substantially answered that. So I'm okay to take it out. I don't see this as a huge risk, it's only \$30,000, except that I think it's bad policy for the Council to be modifying contracts from the dais. And so while I support the \$30,000, I can't support this motion. Thank you.

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

Vice Mayor Korte: I agree. I think the fact that it is standard practice for us to include this type of language and for us to make exception here is just not good policy. Certainly we would be open to new language, as we move forward, but at this time, I would like to offer an alternative motion. Let me find it. Excuse me. To, to adopt Resolution number 11033 as stated.

Councilwoman Milhaven: Second.

Mayor Lane: The motion has been made and seconded. We do still have one request to speak and it's Councilman Smith.

[Time: 00:54:51]

Councilman Smith: Thank you, Mayor. I just want to clarify for the listening audience, when we talk about, you know, why is this only being discussed here tonight. It's not only being discussed here tonight. I personally discussed it with the city attorney and the applicant that we're talking about here has discussed it with Ms. Churchard and others long before tonight's meeting and they were told quite fundamentally that if they didn't sign the contract with these two provisions in here, it wasn't going to be put on the agenda tonight. And so I took the position, you can put it on the agenda and I will strike it out if I possibly can and that's what I'm trying to do tonight.

The fact that this provision, we're told applies to all contracts over 10,000 means that it therefore, that the 1% error rate that we are looking for is an error rate of \$100 on some contracts. After which the language says you will pay for the audit. Now, we are reassured that nobody has ever been charged for audit, we will just keep that language in there to scare the hell out of everybody. My point is this is not the way to do business with city partners and am I trying to changing to contract? Not particularly. I will vote to have the contract go through, but I urge the city and the people negotiating these contracts to adhere to transparency and business-friendly practices, because these are fellow citizens that we're negotiating with. And playing hardball just because we can is no way to encourage business development. I still think the contract should be amended. These clauses should be struck. I'm going to be voting against the contract with these provisions.

Mayor Lane: Thank you, Councilman Smith. Councilwoman Klapp.

Councilwoman Klapp: I'm not going to be supporting the alternate motion either. I also discussed this with the auditor, and she did, she stated tonight, says that she thinks we probably should be taking a look at in these small contracts, this kind of a clause in the audits and I think that's appropriate, because this kind of language seems more appropriate for a large contract such as Experience Scottsdale and Museum of the West and I can see this type of language for that type of contract. But in the audit committee and in the audit job, there's no auditing of these small contracts. It just doesn't happen. So if we're not auditing these small contracts, then why do we put this language in these contracts?

So it seems to me that this is a good time to make an exception and get it out of the contracts because it is a small contract, in particular, because we are showing that anything that is 1% or more, that is an error in the billing is going to be potentially charged back to somebody when you are talking about a small contract of this value, that seems like a small rounding error. In the case of a \$3 million contract, 1% would make sense. But in this case, if there is going to be a clause like this in the future, I would certainly make that percentage something higher than 1%. So I'm going to support the original motion and support taking these two clauses out of Section 4.

[Time: 00:58:33]

Mayor Lane: Thank you, Councilwoman. One final point as far as that is concerned, I'm very concerned about us changing a policy and contract language on the fly, without any criteria as to what establishes it, and what size we end up exempting them from audit or, or an audit that they have to pay for or whatever it might be. I still have that concern, even though I do understand the argument that this may be a bit oppressive and may be difficult. I'm just not crazy about the idea of authorizing a change to our contract language. And being a strong advocate of our ability to audit our contractors on all levels, I think it's an important protection for our taxpayers when we are spending their opinion, in an effort, in effort, for that matter, but nevertheless, in this one as well. So with that, I don't see any further comment. And just to review, we are, have we voted on the alternative motion?

Vice Mayor Korte: No. The vote now would be the adoption of Resolution 11033 as stated.

Mayor Lane: All right. The alternative motion is adopt the motion as stated here in our record. All of those in favor, please indicate by aye. Those opposed with a no. That motion fails, and 5-2 with Councilwoman Milhaven and Vice Mayor Korte in the affirmative. So with that, we move open to the original motion, and if we could, the motion maker, please restate that motion.

Councilman Smith: The motion was to adopt Resolution number 11033, excluding the second and third paragraphs of Article 4 of the attached contract.

Mayor Lane: Okay. And that was seconded by, Councilwoman Littlefield. Okay. There are no further comments seen on that. So we are then ready to vote. All of those in favor of that, please indicate by aye. Those opposed with a no. The motion passes 4-3 with Councilwoman Milhaven,

myself and Vice Mayor Korte opposing. Thank you very much. I appreciate the input from all sides. All right.

ITEM 16 - ASSOCIATE CITY JUDGE REAPPOINTMENT

[Time: 01:01:27]

Mayor Lane: We will move on to our Regular Agenda items. Starting with Item 16, which is Associate City Judge Reappointment. This discuss, consider, and act on the potential reappointment of the Statia Hendrix, associate judge to a term of four years as set forth in the city code to begin March 9th, 2018. We have Ms. Donna brown here, our human resource director for presentation of, I'm presuming a JAAB and whatever other review.

[Time: 01:01:56]

Human Resources Director Donna Brown: On this evening's agenda, you will consider Judge Statia Hendrix, to begin March 9th, 2018, reappointment, as indicated in the Council the judicial appointments advisory board known as the JAAB, with a vote of 6-0. Board member James Padish was unavailable for that evening. In a moment, you will hear from Judge Bradley Astrowsky.

I would like to share some general information about the JAAB. This makes advisory recommendations to the City Council, regarding the appointment and the reappointment of the full-time city judges using merit-based criteria to recommend the best qualified persons to become city judges and to make recommendations to the Council about retaining city judges. The current JAAB members include Judge Bradley Astrowsky, chief judge of the Arizona Supreme Court appointee, judge Bruce Cohen, presiding judge at Arizona Superior Court appointee, and James Padish, the Scottsdale bar association, and Max Covil. And on January 17th, 2018, six JAAB members participated in the public hearing and meeting held to consider Judge Hendrix's reappointment. This distinguished board has recommended reappointment. I would like to acknowledge the JAAB member's dedication and diligence and hard work. Before bringing Judge Astrowsky to the podium, it's my understanding that Judge Hendrix is present this evening. It's my pleasure to introduce, Judge Bradley Astrowsky.

[Time: 01:04:05]

Judge Brad Astrowsky: My name is Brad Astrowsky. I'm a Maricopa County superior court board and the chair of the JAAB. We voted unanimously to reappointment Judge Hendrix. There's a lot of positive things I could say. I want to focus on her role as being the head and reader of the domestic court here in Scottsdale. Being proactive in the domestic violence offenders helps them from becoming felony offenders later on and doing worse and submitting more offenses. Also, being sensitive to the needs of and addressing the needs of victims of domestic violence is important. Judge Hendrix has the experience through her prior experience as a Scottsdale city prosecutor, and has taken on the leadership role within the city. We should all be proud that we have someone like Judge Hendrix at the helm of this. And we thank her for her service and we are proud to have her in

the city of Scottsdale from the JAAB perspective because this is an important role to help protect our citizens. With that, I would be happy to answer questions from Mayor or any members of the Council.

Mayor Lane: Thank you for that, and any questions from the Council? Councilwoman Milhaven.

[Time: 01:05:38]

Councilwoman Milhaven: I would like to make a motion to reappointment Statia Hendrix and set forth in the city Ordinance to begin on March 9th, 2018 and I would like to thank Judge Hendrix for her service and I would like to thank JAAB and Judge Astrowsky for your assistance in this. Thank you.

Vice Mayor Korte: Second.

Mayor Lane: The motion has been made and seconded. Would you like to speak to it.

Vice Mayor Korte: No.

Mayor Lane: With that said, I would say I support the reappointment myself and I think we are ready to vote. All those in favor, please indicate by aye. Aye. And it's unanimous, 7-0 for the reappointment. Judge, welcome back for reappointment. Yes, thank you. All right that concludes that item.

ITEM 17 - PRESIDING JUDGE REAPPOINTMENT

[Time: 01:06:41]

Mayor Lane: And next item is presiding Judge Olcavage's reappointment, and that is discuss, consider and act on the potential reappointment, including terms of employment of Joseph Olcavage, presiding judge, to a term of four years as set forth in the city code to begin March 9th, 2018. And if Judge Olcavage is reappointment, adopting Resolution 11037, authorizing employment agreement, number 2018-032-COS with Judge Olcavage.

[01:07:16]

Human Resources Director Donna Brown: This evening you will be considering Joseph Olcavage to for a four-year term to begin March 9th, by adopting Resolution number 11037 and authorizing the employment agreement with Judge Olcavage. The JAAB members completed a comprehensive reappointment process at a vote of 6-0 on the public hearing on January 17th, 2018. The JAAB unanimously supports the reappointment of Judge Olcavage. You will hear from Judge Bradley Astrowsky. Judge Olcavage is present tonight should Council have any questions or otherwise would like to address them. It's now my pleasure to reintroduce Judge Bradley Astrowsky.

Judge Bradley Astrowsky: Thank you and good evening again, Mayor and members of the City

Council. We did vote 6-0 to support the reappointment of the Judge Olcavage and really to sum up the feedback that we received in our due diligence investigations. It can be summed up this way, Judge O is the best. We have should be proud of the leadership he has in the Scottsdale city court, leading thins with technology, specialized court like the D.V. court. With that, I would be happy to answer any questions.

Mayor Lane: Thank you. Do I have any questions from the Council? If not, a motion?

Vice Mayor Korte: Yes, Mayor. I would like to thank again Judge Astrowsky for your commitment to our city, and to Judge Olcavage for your leadership and integrity. And with that, I move that Resolution 11037 be adopted, reappointing Judge Olcavage as city judge to another four-year term, beginning March 9th, 2018, and an annual base salary of \$190,000, and that contract number 2018-032-COS, setting forth the terms of his employment be approved with the inclusion of this annual base salary.

Councilwoman Klapp: Second.

Mayor Lane: The motion has been made and seconded. Any comment?

Councilwoman Klapp: Just thank you for all you have been doing for the last few years and also thank you so much to JAAB, for the wonderful work that you do. I appreciate it very much.

Mayor Lane: No further comments or questions are fielded. So we are ready to vote. I would want to extend exactly the same to Judge Olcavage with regard to it's wonderful to have you back, even though we have never had you gone, but nevertheless, it's been great to have you and frankly to JAAB and all you have done. Thank you. With that, we are ready to vote. All those in favor, please register your vote. It's unanimous, 7-0. A little premature on that welcome back, wasn't I? I think I knew where it was going. Anyway, it's good to have you back. All right. So that completes Item 17 and congratulations to both the judges. On your appointment.

ITEM 18 – MONTHLY FINANCIAL UPDATE

[Time: 01:10:47]

Mayor Lane: 18 is our monthly financial update. Receive, discuss and provide possible direction to the City Treasurer's monthly financial presentation. We have Mr. Jeff Nichols our City Treasurer here for that monthly financial update. Mr. Nichols.

[Time: 01:11:03]

City Treasurer Jeff Nichols: Thank you Mr. Mayor, members of Council, our monthly financial update, as of January 31st, 2018, graphically the depiction, and to get to the numbers, you see the variance there. We will talk about taxes, local here in a minute. Some of the positive variances, the state shared revenues, we were faring better with the state shared revenues and what we received from the

Arizona city leagues and towns. That's a good thing. We are collecting more. In the licenses area, and the permits, mostly due to the paramedic training and the contract extension for advanced life support which resulted in 100% recovery of those expenses and we did not budget for that.

Looking at the sales tax categories, you see on the left-hand side, and looking at the numbers, I think what this slide really shows is that the unpredictability of the information from A.D.O.R., it will be a few years before we can compare a budget spread and compare to actuals in these categories. Some of the activities you see, the positive variance on the rentals, we are seeing an increase in the residential rental real estate. We are also seeing a personal property rentals an increase in that category, for which we select taxes.

The positive variance of \$1.4 million, a couple of the dealerships that had gone to Scottsdale auto show, which is on the Salt River, Pima Indian community, left later than expected. We are also having a vendor in this category that has begun to pay sales taxes that was not previously. We have determined that since we have a Nexus with them in the city of Scottsdale that that is required.

Other areas, major department stores, food stores, I would like to point out the negative variance. We have had a few of the stores that sell food for moment consumption not reporting taxes on that. We corrected them, and told them that they have to pay taxes on food for home consumption. So they have assured us that they will be filing amended returns.

General Fund operating uses by category. I think you will see favorable variances. And it's really it's across the board. We are seeing favorable variances in the Admin Services area, the City Attorney, the City Manager, City Treasurer and Community Services and the Public Safety, fire and police, they add up to \$2 million. Each one is about \$200,000 to \$300,000 apiece.

[Time: 01:14:09]

Some of the negative capital outlays, the negative variance, the unfavorable variances due to unanticipated replacement of some fire panels at the One Civic Center and one other building, as well as air conditioning unit, HVAC unit. You see the transfers out, the negative variance was related to action Council took to fund some projects related to the Reata wash and let me see the other project, rawhide wash and do a transfer from undesignated to unreserved in the General Fund. In addition to that, there was a transfer made to the cultural contracts Downtown Trust, for contract that the city had entered into, and they used the, the applicant used credits that they had coming to them but we made a transfer into the General Fund into the Downtown Cultural Trust and that's creating that unfavorable variance on the transfers out.

We see the unfavorable variance in retirement. That's due to the interest payment that we made recently related to the settlement related to public safety personnel requirement. You see an unfavorable variance in overtime, the vast majority of that is related to the fire department and their constant staffing. They have some individuals that are out for variance reasons but they have to have four men on a truck. So they constantly staff those and it's creating the overtime issue for us.

When you look at the operating division expenditures, again all favorable variances except for public safety fire, which is the overtime issue and public works and, again, I had talked about that related to the capital items. They are also ahead on some of their planning. So the budget spread is a little bit different than what the actual spend is. They are spending faster than they thought they could. It's not something that we expect to be there at the end of fiscal year. And when you look overall, sources over uses at this point in time, we have a favorable variance of approximately \$3.6 million. We thought we would be at \$3.8 million or actually, 7.5, we thought it would be a 3.8. Again, I believe some of this variance related to the sources will be there at the end of fiscal year and we need to manage our, our departments need to manage the uses through the fiscal year to make sure that we control expenses that we can control. With that, I would take any questions you all may have.

Mayor Lane: Thank you, Mr. Nichols. Any questions from the Council? Hearing none, I think we are very satisfied with your report. Thank you very much.

Jeff Nichols: Thank you, Mr. Mayor.

ITEM 19 – COUNCIL CAPITAL IMPROVEMENT PLAN SUBCOMMITTEE RECOMMENDATIONS

[Time: 01:17:17]

Mayor Lane: All right. Our next order of business is Item 19, the Council capital Improvement Plan Subcommittee Recommendation. And we have a presentation, discussion and possible direction to staff regarding the capital improvement plan subcommittee recommendations to Council. And Mr. Nichols, rightfully stayed in place, even though he may have been dismissed, he will be presenting on this. So thank you. Mr. Nichols, welcome.

[Time: 01:17:46]

City Treasurer Jeff Nichols: Mr. Mayor, members of Council, first of all thank you very much. I would like to start this presentation by thanking the subcommittee members and some staff, the C.I.P. subcommittee has been working diligently for the past year, and we have actually picked up pace this calendar year, and so that would be the current chair, Vice Mayor Korte and Councilman Phillips and Smith for their efforts over the past year and getting educated on very important issue. I would also like to give a shout out to the staff that support them because sometimes the turnaround was a week and it's very difficult to meet all the requirements of posting and getting the new agenda out and posting the minutes and those sorts of things. So the treasury area, Sylvia Dlott and Judy Doyle, and Dave Lipinski and the City Manager Jim Thompson and I support those people with leadership.

Starting the presentation, I would like to show the General Fund, 118 projects, \$534 million and transportation 87 projects and \$275 million. This list was put together by staff when we went out to staff this year, we said, we want to see what all of your needs are. Not just what you think we can fund. We want to see what all of your needs are and this was the total number of requests that we got, just in these two areas. It doesn't include enterprise funds and some other funds that have capital funding alternatives that are paid for or capital projects are paid for with different revenue

sources. We're just dealing with the General Fund and the Transportation Fund.

We received, the C.I.P. subcommittee gave us direction for the fiscal '18/19 plan to present it to Council as request requested. Therefore we pulled this forward. We were also told to remove the Scottsdale Stadium redesign project, about \$42 million and remove the Desert Discovery Center, now called Desert Edge, the \$64 million on this side of the request. On the transportation side of the request, again, \$275.9 million with 18 million of that being programmed in fiscal year '18/19, so we pulled out the \$18 million, the additional needs of \$257.9 million are being considered.

So when we add those two project lists up and the funding needed to make those projects happening, the total request is \$660 million. So the C.I.P. subcommittee recommendation to was to implement a funding strategy to generate \$350 million of capital investment opportunity for the city. And they said, look at the combination of GO bonds and transportation and transportation sales tax increases as well as storm water fees to be determined by the full Council and that's what we are trying to get direction on tonight. The thing that we need to consider when we look at general obligation bonds, the state statute limitations, the rating agency evaluations and the impacts on the taxpayers.

So when we look at the state statute limitations, it's 20% of net full cash value, you can see the 6% values, there basically, the not real glamorous projects if you will, but mostly for city staff, facilities such as the one we are in here and then the 20% limitation related to streets, parks, open space, police and fire: It's those services and those buildings. So the 6% GO bonding capacity is at \$640 million. We have about \$26 million outstanding. So we have \$390 million of capacity according to statute. You look at the 20% GO bond capacity, the \$1.4 billion. We currently have \$546 million. I would caution the one thing that we do include there, because there's been discussion we include the GO bonds related to the Preserve, even though they are being paid for out of the Preserve sales tax. We are also required to include the premium as a reduction. But even given those two parameters, the available 20% capacity on the G.O. is \$830 million, well over \$1 billion between the two.

[Time: 01:22:50]

When we look at our rating agency evaluations for our GO debt, AAA across the board. What I would like to say is there are other communities that have AAA ratings such as this, but no one has a better rating than three AAA communities. There are none. This as good as it gets. You can only go down from here and hopefully that doesn't happen on my watch, at least.

When we look at what is paid. The one thing about GO debt, as you see on the left-hand side, the three columns, the percentage of the property tax paid by commercial businesses is 29%. Truly this is the only way the secondary property tax that you get these businesses to have what I would consider skin in the game. The other side of the slide on the right-hand side, you see percentage of the property tax paid by the class three on the far right. That's people who when they register their property or purchase their property with the county assessor, say whether it's their primary residence or not. So currently, 37% of the taxes paid by people, and this is their primary residence. 34% of the taxes is paid by people and it's the non-primary residence, when it's registered with the assessor's office.

This could be people that have rental units and this could be AirBNBs and these could be people who are winter visitors and they have a home here but their home of record as far as voting and so on is the state they come from, be it Michigan, Iowa, or wherever. So, again, a considerable amount of this tax is paid for by nonresidents and commercial businesses. So the number of units in the class 4, the non-primary residents, about 64,000 in the class 3, 69,000 for a total of approximately 134,000 units.

When I was preparing this slide, as you saw the information from the subcommittee, and they said, you know, come forward with a \$350 million funding alternative, considering everything, I worked with our financial advisor Piper Jaffray. Part of that was Vice Mayor Korte said, well, what if we kept the current taxes that people are paying, secondary taxes level and just didn't increase those taxes or let them decrease over time. So I asked Piper Jaffray to run those numbers we could have a \$450 million GO offering if the voters would approve of it.

I want to walk you through the years, though. You see on the bottom, it says, year one levy, year two levy, and the coordinated colors within the graph itself. In year one, it was assumed a \$25 million issuance, year two was \$50 million. Year three was \$25 million and then years four through ten was \$50 million. So if you wanted to look at this slide and say, well, what if it was the \$350 million GO bond election, would you just take off the two tips, the top over in 2046, that white portion, and the orange, and if you can think of that in your mind, with those being gone, that would be a \$350 million GO bond program. And the taxes people pay would not increase and, in fact, would decrease over time, the secondary property taxes.

So the tax impact that we looked at, of a \$450 million authorization, this is for the whole \$450 million on a \$300,000 residential property. 166 per year, on what we had shown the C.I.P. subcommittee, was they were currently paying about \$177 a year. So as the current GO bonds run out, we would have a \$450 million authorization over time, a total that they would be paying is \$166.50 a year or less than they are paying now.

[Time: 01:27:08]

And here's the impact on a commercial property that's worth \$1 million. So some of the pros and cons, the one thing is, that's not on here that I really want to emphasize is the stability of a secondary property tax. When we tell the assessor how much we need to collect for the debt service, if property values go down, the rates go up. If property values go up, the rates can come down. There are a few variables. And so it's a very stable revenue source but you see some of the other pros.

The infrastructure is delivered when it's needed. You don't, you don't have that with a pay-go program. The borrowing cost on the bottom, you see that's a pro because our GO cost for borrowing that money is less than any other borrowing that we may do to include MPC or some other form of borrowing. It's also a con because there is a borrowing cost. So those costs are going to be built into the project. However, again, I think GO bonds, when you are looking at it is probably the best

debt that we have as far as delivering capital improvements.

Then we went and looked at sales taxes and the current Transaction Privilege Tax because that's what it is. We call it a sales tax but you see it's 1.65 with those two tranches related to the Preserve, one expired in 2025, and one expired in 2034. So in 2034, that rate will go from 1.65 and we'll be, if no other action is taken, it would be 1.30. And I say that because out of the 92 municipalities in the state of Arizona, this slide represents the sales tax rate within those communities. Upwards of 4.5%, all the way down to 1.5 and there's two communities that have the 1.5 and that's a continuing sales tax. There's no temporary. That's the base sales tax and that's Gilbert and Chandler at 1.5.

But if you really are doing an apples to apples comparison, I would compare the 1.3, because the temporary nature of some of those sales taxes. We are lower than every other community in the state of Arizona. What does it raise if we look at a sales tax increase and go to the voters for that? One-tenth of 1% would raise approximately \$10 million. So when we present it to the subcommittee, we presented it as a General Fund and transportation fund. What I'm presenting to Council is if we have a sales tax increase, it would be a sales tax increase.

You can spend General Fund dollars on transportation projects if you want. If voters approve a transportation sales tax, you obviously can't spend them on a General Fund project. We do have a tax right now of .2% on transportation, with 50% of that going towards operating and 50% towards capital. But this is just, and this is if we leveraged it and we would leverage it by MPC debt. So, again, one-tenth of 1% over a 20-year period at 4%, could you fund \$133 million MPC bond program and so on.

What I want, I talked about the stability of the property tax, the secondary property tax before. This shows the instability of a sales tax and that's when the economy shrinks, the sales, what we brings in shrinks as well. During the period of time from '06/07 through '16/17, the lot in revenue we experienced in the General Fund was almost \$162 million. The loss of revenue, that dip in the economy was about \$32 million and those are just dollars that we don't have and we probably could have used, given our critical needs within the capital area.

[Time: 01:31:25]

So MPC, Municipal Property Corporation was formed in 1967 and its sole purpose was to construction, acquire and land improvements for the stiff. I believe first project that they ever took on was related to the Scottsdale municipal airport and that's how we got started. It's governed by a board of directors confirmed by the City Council and for financial reporting purposes, we do include them in the comprehensive annual reporting, the MPC. The reason the debt management process is as important, we have a policy that says we can't issue MPC debt unless we have a funding source and the funding source is to increase, unless we leverage them, that's what we point to when we issue the debt. Again, a lot of pros and cons related to it. Similar to GO bonds, the one thing is on the borrowing cost, we would pay 10 to 15 basis points more between the current debt and the MPC bet. We would pay 10 to 15% more. It would be a little bit more costly.

The last thing I want to talk about is we have a current stormwater fee. It's \$1.10 a month. With 25 cents going to the sewer fund. If we increase that, by \$2 a month, it would raise approximately \$2 million annually, and, again, if we leverage that revenue source with MPC debt, we could fund up to \$25 million of our current projects related to stormwater and flood control. So here are the funding options across the board for Council's consideration.

Again, depending on the direction we get from Council, be it a GO bond program, or a sales tax program, it will determine which projects come forward obviously with a G. O. bond program. We would have to package the projects in such a way to go to the voters like we normally do in the past, where you have parks and library and public safety fire, or public safety police, those categories and then we would put the projects within those categories for their consideration. I'm not sure that we have to do that related to a sales tax increase, but that may be something that you could consider. With that, I would be willing to take any questions or comments from Council.

Mayor Lane: Thank you, Mr. Nichols, I appreciate that presentation. We are going to go to Public Comment for a few requests to speak on this. And then we'll be back to you with the questions from the Council or comments. And with that, first I would like to hear from Alex McLaren.

[Time: 01:34:42]

Alex McLaren: Mayor, members of the Council, my name is Alex McLaren, 7883 East Osborn. Again, I would like to echo what Mr. Nichols said. Thank you to the Council for appointing the subcommittee. Thank you to the subcommittee for doing all of the heavy lifting and also, of course, to the staff who really did the heavy lifting, but you also listened to them. It's clear that we need investments in our community. I think Mr. Nichols pointed out that \$810 million worth of projects were submitted by the city staff. And if you subtract the funding that's available for the first year, there's approximately, I think he said \$660 million in need. Subcommittee is recommending funding \$350 million in combination of GO bonds or sales tax increases, et cetera.

What I would like to say is that if Jeff, Mr. Nichols said that the projects that make up the lists will come you to later, when you look at those projects, you will see if we do implement the bond, a bond program or a sales tax increase program, we will make significant advances in our treat system, up in the northern parts of Scottsdale, especially. You look at the projects for Pima and Scottsdale Road. There's also significant leverage which we can get from city contributions through the ALCP, the sales tax that we pay towards the regional area road fund. We could also make improvements in our parks, our libraries, drainage and flood control. Obviously, funding is always the issue.

And Mr. Nichols has given the options of GO bonds with the sales tax. In my view, GO bonds are the best method to do this, given the advantage, or the advantages that he cited, of cost of the debt versus sales tax, certain sales tax is a way to fund them and I think Council should have a debate about that, but sales tax is a regressive tax that affects the less wealthy more directly. And I think the impact from the GO bond would be a lot less. Also separate funding for a drainage project also has merit, if we can separate those out. It's important that the Council continues this discussion. It's also important that, I think when we move forward that there's a unanimous Council on whatever

message you decide and whatever amount you decide to go for. Thank you.

Mayor Lane: Thank you, Mr. McLaren. Next will be Solange Whitehead.

[Time: 01:38:14]

Solange Whitehead: Good evening Mayor and City Council thanks for having me here today. I'm Solange Whitehead, a 21-year resident and I want to talk about this proposed bond for a future election. If the bond was, if I were going to vote on the bond this year, I would vote no. And so I want to share with you, because I appreciate all that you do. I want to give you all the opportunity to turn me into a yes vote when this bond does go out to the voters, me and many other people in this community.

So we do have a crisis. We have 300, 400, \$500 million of unfunded infrastructure needs, and I believe in investing in our community, but we can't borrow and we can't tax ourselves out of this financial hole that we are in, unless first, we deal with our spending priorities. And the spending priorities have caused quite a bit of unhappiness in our community, because of the use of public dollars for private interest projects, specifically the \$68 million Desert Discovery Center. So while I'm pleased that the Desert Discovery Center has been pulled out of this, to the taxpayers it doesn't matter which bucket you pull the money out of. To us, it's still new debt.

It's still new interest on that debt and it's millions of dollars of overruns every single year that taxpayers are stuck with. And it's money that doesn't go to things we care about. Instead it keeps the doors open at a project that benefits private interests, not us. So I think if you want to get us to approve, get the citizens to approve a bond, you first have to demonstrate to us that our infrastructure needs are your priority, that our financial security is your priority and the best way to do that is to eliminate projects like the Desert Discovery Center that, I mean, do you ever have a meeting where somebody doesn't come and speak out against it? Nobody wants this project, like the desert botanical garden, it needs to be a private, a privately funded, I guess, I don't know if it's a tourist attraction or whatever. It needs to be privately funded. So I just want to encourage you to make it known that you won't use our Preserve or our Preserve tax dollars in order to earn the trust of the voters so that we do support future bonds. Thanks so much.

Mayor Lane: Thank you, Ms. Whitehead. That completes the Public Comment on this particular item. And so we'll go to some of the comments or questions from the Councilmembers, starting with Councilwoman Klapp.

[Time: 01:41:11]

Councilwoman Klapp: Yeah, I would like a question from Mr. Nichols. Can you tell me when was the last time we increased the stormwater fee? Do you have a history on that and how much it was increased?

Jeff Nichols: Mr. Mayor, Councilman Klapp, I believe it was in 2004.

Councilwoman Klapp: And what was the amount of increase in 2004?

Jeff Nichols: I would have to look that up to be absolutely certain but it was obviously the fee is only \$1.10. So any increase would have been minimal.

Councilwoman Klapp: So nothing near what the examples that you showed us of increases, potential increases?

Jeff Nichols: That's correct.

Councilwoman Klapp: But it's been, what, 14 years since it's increased?

Jeff Nichols: That's correct.

Councilwoman Klapp: Thank you.

Mayor Lane: Thank you, Councilwoman. Councilman Smith.

[Time: 01:42:07]

Councilman Smith: Thank you. Mr. Nichols, maybe come back up so you can flip through the slides, because I want to be sure that we are reframing some of these things properly. And I think the third slide in your packet, when you were talking about the General Fund requests, and you are removing a couple of projects, and there you are. The \$15.1 million that is the first deduct from the future needs, is the funding that we estimate would be available in the General Fund at the end of five years, when this project goes in. What is that number? Where does that 15.1 come from?

Jeff Nichols: It comes from our various sources, one being construction sales tax, and another being a food for home consumption. Interest earnings above \$1 million. There's, I think, four different sources of income and those are the biggest ones.

Councilman Smith: And so I knew that the food tax was one part of it. If you took the food tax out, you would have any of this 15 million left or would we, in fact, be in the hole some.

Jeff Nichols: If we took the food tax out....

Councilman Smith: Right now, for example.

Jeff Nichols: It would be almost a \$40 million hit and we would not have the \$15.1 million.

Councilman Smith: So the only reason we have 15 million is because we are anticipating that we will continue to tax the food? The, rolling forward to the slide that you had for when you talked about the GO bond and the stay statute limitation and the amount we had outstanding under the 20% rule.

You mentioned to the public that in that \$546.7 million, we have that much in GO bond outstanding but a big, big part of that are really Preserve bonds that have a backstop of the GO bond guarantee, the Preserve tax being the primary discharge source of money. I'm catching you off guard, perhaps. Do you know how much of that is of the 546?

Jeff Nichols: Well, I believe the GO debt, I believe it's in the neighborhood of \$300 million of GO debt outstanding related to the Preserve, with only approximately 240 some odd million related to the secondary property tax.

Councilman Smith: Okay. Because oftentimes we talk about how much bond get we have outstanding. I think it's important that people remember the actual number on the portion that's preserved or secured. When you gave the graph on the, the stacked money for \$450 million, the most colorful graph, there you go. I know we were looking at more historical years. You are starting with 2018 and you are effectively making the case that from 2018 for the next ten years, the amount of bonds outstanding can be held fairly table. Do you have another slide or can you remember what the prior ten years were? Where we were ten years before? What got us down to this number of 2018? And my recollection is that if we looked back ten years ago, the GO bonds outstanding or almost double the number that they are now. Do you remember what that was?

Jeff Nichols: Mr. Mayor, Councilman Smith, I believe you are approximately correct. That would have been during the time when we issued the last debt from the 2000 bond, the GO bond authorization, which was a total of \$357 million and we issued that in 2001 and 2002. Some of that debt has fallen off, we refinanced some of that debt. I can get that information for you.

[Time: 01:46:38]

Councilman Smith: I think it's important for the public to know that while you met the challenge we threw to you here, which is to keep it at the current level of debt, for ten years, and this is how it would happen, that level of debt for the next ten years would be substantially below where it was even ten years ago. I mean, it's, the GO debt, the secondary debt paid by homeowners and businesses has come down substantially in the past ten years.

Jeff Nichols: That's correct.

Councilman Smith: Going to your next slide and again, just to make sure that I'm understanding and the public understands, when you say that the GO bond tax impact on a \$300,000 residential property would be dropping to the bottom line, \$166.50 a year, there really is no increase, I presume, going back to the previous slide. This is what they are playing now and for the next ten years. Is that correct?

Jeff Nichols: That is correct. They are currently paying approximately the same residence when we showed to the C.I.P. subcommittee, paying about \$177. Currently.

Councilman Smith: So the \$166 is drifting down from where they currently are?

Jeff Nichols: That's correct.

Councilman Smith: And finally go to your sales tax slide when you had the historical and historical prospective years showing the dip of the recession.

Jeff Nichols: I'm trying and sometimes the key responds and sometimes the key does not. Brian, could you advance those for me, the arrow? Oh.

Councilman Smith: I'm looking at just a little tweak or a question. In the year 16/17, I mean, we were marching up from the recession, for several consecutive years, and then we had a little bit of a dip in '16/17, and I think, am I right that that's because of the loss of money in transit that occurred when we went to the state collection system?

Jeff Nichols: Mr. Mayor, Councilman Smith, I'm trying to remember the year that we went forward with that, and I do believe that it was in '16, the second half of '16/17, they started in January 1st of '17.

Councilman Smith: And I think your recollection is right. That's what I was recalling too. It was a straight march upward from there, absent that phenomenon, that we'll never get that money back. I don't know how you want to proceed on this.

[Time: 01:49:45]

Mayor Lane: I think if you are asking me a question on that, I think the idea is for us as the rest of the Council, the nonmembers of the subcommittee to see this information and dissect it and really make some comments on it, maybe even, not the exclusive effect of the four nonmembers of the subcommittee, but to try to get some kind of strategy as to how we may come back with some ideas with regard to, I believe, a work study where we can sort of work our way through some of these numbers and come back with some formulation and some guidance to staff as to how we might back at it.

With that being said, I've got a couple of questions myself and I, even though I follow the workings of the subcommittee pretty closely, I don't necessarily want to rehash what the subcommittee may have done. We're taking the recommendations that they have brought forward to us and that was the combination of general obligation bonds, and stormwater fees. I should say a combination and/or alternatives across the border, whether it's transportation sales tax or whether it's general sales tax, whether it's the stormwater fees and whether it is general obligation bonds.

Just for the record, and most folks probably know that I'm an advocate of the general obligate bond for a couple of reasons when you are talking about capital projects. You announced some of them specifically in your presentation earlier. One primary thing is the public gets to vote on those items on an item-by-item basis. It also is, has a beginning and an end to a project. It's limited. And so it's defined. And so you could call it sunsetting. We can do that in other forms too. I think it's a

fairer allocation, since we have to truly consider who is participating in the property tax at a, maybe at a higher level but it's certainly on a very close proximate to the value that they have invested in the city of Scottsdale in the way of real estate.

My question comes to this, with the things that have been asked or at least have been requested for consideration, in responding to a \$350 million quantified need, has there been a look as to where that actually breaks down? And the reason I say that is I'm looking at stormwater fees and this is probably something I should know, but I'm going to ask and make sure I definitely have a clear understanding. Stormwater fees has always meant exactly that, stormwater fees coming off of streets and hard surfaced areas and that and into a system to route it to either recharge and/or to drainage.

But the other component, which also requires a great deal of investment is our areas of the alluvial fan and our drainage areas throughout the city that are in need of real determination in order to eliminate some of the cost of, number one, to protect the homes that are there and protect it, but also to provide an exit, which we just have accomplished in another area of the city, and it will affect a number, likely hundreds of homes to eliminate their property, I'm sorry, their flood insurance. So if we quantified what we need, number one, I'm presuming the drainage is not the same thing as the stormwater fee and what it addresses. Is that correct?

Jeff Nichols: Mr. Mayor, that is correct.

[Time: 01:54:00]

Mayor Lane: Okay. So even though we have some significant projects that are included in this \$350 million, that are for major drainage programs, they are held with the rest of our capital projects outside of this. So increasing the stormwater fee, my question would be, is it applying itself to a real, the direction of how we fund the capital infrastructure for stormwater? And if it is, I'm concerned, I'm concerned about it, in this sense. I like it as one, a cost and a revenue course for our cost directly associated with it.

But the last time we did this, there was some significant difficulties and otherwise as they tried to meet this obligation and so I'm concerned about that and if it doesn't involve the drainage areas, I'm not sure that that's a scenario I would want to go to, but that's a possible. I'm drawing this out from the standpoint of trying to match up revenue sources with needs within this \$350 million. Next one that I'm concerned about is transportation. We have an absolute need to be able to have the matching funds in order to be able to utilize our regional funds from M.A.G. and even from the feds as far as this goes to meet our transportation infrastructure needs. And if we don't have it, we lose that leveraging point, and so I don't know if that's been quantified or not, but that specifically on the sales tax side because that's how it's funded currently is something I think we need to look at from a standpoint of what we may do with transportation sales tax. And to match up with that and if we can quantify those numbers it would give us a better feel for what we are trying to do right there.

The other thing is on the General Fund side, even though and I think Solange hit on it pretty hard, we had a lot of difficulty, even though there's a distinct relationship between the Preserve bed tax funds

and other funds, even though go to the statutory requirements or limitations on our bonding capacity, there still is a problem with those, only because we have had a breakdown for acceptable that is not funding in their part of town or this trust issue that we are talking about. But I'm still a believer in that.

If we, if we lose that, quantifying what we need to pay for, for that, and having some kind of mechanism, where we don't just, after we are done with this, we don't suddenly have to find another use for these funds and they are ongoing and we have just an increased accumulation or a forced need to spend them somehow or another, and so if it was stipulated to a capital fund and without that capital need, that there would be some change in tax policy. I would be feel more comfortable with that. We feel any time we have a sales tax increase and particularly if it's in a given area that we have to rush to everybody to say, hey, you have to pay for my, my rebuilt bathroom or something.

You know, it just gets to be the, the line becomes long and maybe a little sometimes absurd as to where we need to spend the money. That's in my own estimation, I think, well, I believe. Anyhow, I'm thinking we can quantify the areas that we need the money and if we can define it and present it in such a way that's true and honest, there's not much we can do about some of these other things other than to change our policy and, in fact, the policy is going to be to preserve the tax dollars in a way that is, that offends folks like Ms. Whitehead. Then that's going to be something that we, that becomes a separate policy issue, but we have got to deal with it too. But try to reestablish some type of trust ever what we have to do and what we need to do through bonds is, I think, the best way for us too, but we need to quantify it first.

The only exception to that would be the transportation tax, because I think we need to quantify what we may be standing to lose, and money that's available to us without being able to match it and leverage it. I mean, I think we probably stand to lose, and I'm just using a number right now. You may have it off the top of your head but hundreds of millions of dollars coming online. If we are not in a position to fund those things, either by vote or by a tax, in place, we stand to lose a lot, and frankly have a deteriorating situation. An important one for me, as far as that is concerned, the other one is if the drainage issue has to be thrown in with all of the other capital projects, if there's not another mechanism to try to get that done, accomplished and to the benefit of the people who would be removed from the floodplain and thus from a significant obligation on flood insurance, I think that there is a tradeoff and something that could work there.

[Time: 01:59:47]

Jeff Nichols: And Mr. Mayor, we can quantify all of those. I mean off the top of my head, the flood drainage issues are approximately \$94 million if I remember the number. We need to come up with \$70 million in funding, ALCP, the alternative, the alternate life cycle program match. We need to come up with \$70 million to get the taxes that our residents have already paid in on prop 400 to get those back to us. I reported to the subcommittee, and to the full Council, my real concern is we have been told that by 2020, if we don't start finding those matches or work with M.A.G. and let them know that, that they will start assuming to recontribute that money to other municipalities. So that is a concern.

Mayor Lane: Yeah.

Jeff Nichols: So we can certainly do that quantify those and package them in such a way.

Mayor Lane: When we have recurring maintenance issues to maintain standards whether it's surfaces on pavement or other life cycle issues that add to the useful life, but they are periodic and five years or seven years or whatever it might be, those, easier items to match up with a sales tax increase, in transportation, than just about anything else. You can quantify that, and still work to what you might have to do with regard to matching funds and frankly other major capital projects with them.

Jeff Nichols: Yes, and on the drainage projects, I know we have projects out there that benefit a certain area of community, where other financing sources could be used, such as an improvement district if they vote. I think I have heard numbers, where it's pretty much an offset, only now they would know that, yes, they are out of the flood zone and now their property, they are no longer paying those insurance costs. It's pretty much a match.

The debt would be gone in 20 years and then that property would no longer pay anything. As it stands right now, as long as they are in that flood area, they will continue to pay. So we could look at things like that. We do have some drainage projects that are considerable in costs with very few homes that are affected in a positive manner and it would be really difficult in my mind to go to, let's say, ten homes and say we have \$1.5 million project that can get you out of it and you have to split this cost. That's where I think we look more as a community that we assist our neighbors in those areas. Are you know, maybe not fit into a district, and that was the idea behind the stormwater fee.

Mayor Lane: Gotcha. If I could touch on the drainage issue one more time, and that is not only is there a mitigation of flood insurance costs that might be associated with property that's held or devaluation as you pointed out too, you have a, or, I don't want to say worthless, but certainly close to, it because of what you might have to do in order to use any of it, or percentage of it, might be diminished or high percentage of it might be diminished for use. Those are all things that we can quantify, and it's another area where we have a high degree of prospect to share those costs, to leverage whatever we put fought to accomplish these tasks, as long as we have a source of funds. And I know the numbers you gave me may be just our portion because we can't get too far ahead in that game when you are trying to determine whether those funds would be available or not. But that's one other thing that we do routinely and we don't want to jeopardize our ability to match funds and do a project right.

[Time: 02:03:51]

Jeff Nichols: And there are areas where we would get money from the Maricopa County Flood Control District that they would participate and we also have some others that would participate in some of those projects.

Mayor Lane: Well, I don't know where FEMA is on it now. It's a much changed environment for them. They have in the past been happy participants on occasion too. So I guess my, and this really goes to Councilman Smith's question, and that is here and now, we're not really going to be able to, this is not really the form. It has not worked well. The more complex the issue, the more difficult it is for us to sit here and try to do anything other than to give some guidance as to some avenues they might want to consider, you know in the way of two or three options and what the pros and cons of them are and for us to debate them and discuss them. I probably should say in a work study issue and go from there. So that's, Mr. Thompson, I may ask you to weigh in. Is that something that seems like a reasonable approach as far as your staff is concerned?

City Manager Jim Thompson: Yes, I believe so, Mr. Mayor.

Mayor Lane: Okay. All right. Well, thanks Mr. Nichols. I appreciate that. I think we do have some further comments as well. And hopefully along a similar line of direction on some things we might do. Vice Mayor Korte?

[Time: 02:07:57]

Vice Mayor Korte: Thank you, Mayor. As a member of the C.I.P. subcommittee, and having met with staff all year long, I want to thank staff for your time and energy and commit to these projects it reflects a great deal of talent on your part and commitment to our city. So thank you. Thank you very much. I also want to thank Councilman Smith and Councilman Phillips. We spent a lot of time on this, and, and I thought, I think it was a real good process. It was a transparent process. Every meeting was public meeting. We had public at every meeting and now we are meeting in the Kiva on, about every Thursday morning for that transparency and that's important for individuals that are questioning the need for this. I think there's every opportunity for individuals to, say, educate themselves on this need.

With that being said, we have brought forward three, shall we say, sources of funding. And whether we do all three or we do just one or we do two, it's really up to this Council and that is why the motion was placed as it was, because it wasn't up to the subcommittee to make that decision. I think the interesting fact that as we brought forward \$350 million of potential funding or potential project needs, that the question was asked that we could go to \$450 million and not raise taxes if it was a bonding, if was a bond measure or a property tax bond, we would not raise taxes and I think that is a critical point for us to shall we say point our compasses and focus our efforts that when we talk about creating hardship on our community, we are not talking about creating a hardship, even if we went to \$450 million. Regarding the stormwater usage, the stormwater fee, can you give me an example of one of the projects that that could possibly fund, just to help the audience understand better of why we have isolated that fee as a potential source?

[Time: 02:08:21]

Jeff Nichols: As I said, there's \$94 million in projects. The number one on staff's radar at this point in time is Crossroads East Phase One. It's an area of our city that we would like to see developed.

We would like to see it developed well. We believe that the cost to bring forward that project is much cheaper than what we could do, the \$29 million. We also have people that will be contributing to that effort as well, to include state land and the people that develop the land but that was the number one project. We have many, many neighborhood projects, like I said that affect five homes, 14 homes, 28 homes, then they are chronic areas of the city that these people, when we suffer a significant rain event, we are looking to correct those and they run, from, you know, as the Mayor pointed out the alluvial fans in the northern part of the city to the drainage down through the central part of the city and down in the south where I live. We are working in on a project the granite reef stormwater project to take some people out of that floodplain. So they are all over the city. In different areas.

Vice Mayor Korte: Thank you, Mr. Nichols. And looking for direction, I am, I will be consistent with my direction given that the C.I.P. subcommittee that I favor some increase in the stormwater drainage fee and also favor the bonding mechanism for many reasons, but one of the most, I think the critical reasons that I favor general obligation bonds is its transparency. We, we fund projects, we go to the voters with specific project lists and if the voters approve that, then we fund those projects. It's a determinant number of dollars and there's a beginning and end. I think GO bonds are the most fiscally responsible methodology forever funding capital projects and is the stable.

Having said that, I also am having lived through not only the 2013 bond measure that was turned down but also the 2015 bond measure that one-third of the questions were approved. I, I believe that you, a unanimous vote by Council to support a funding mechanism is critical. Last thing I want to see is a sitting Council person as we saw both in the 2013 and 2015 bonds actively campaigning against what the needs of the city and, and so I'm, I'm really putting out there for our Council to consider that the, that the importance of a 7-0 vote to move forward with funding our capital improvement projects is critical. Thank you.

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

[Time: 02:14:22]

Councilwoman Milhaven: I will start pretty broadly because I heard the word "trust" come up in the conversation so far. And I want to say that I believe that every single one of my colleagues believes that they want to do and are doing the right thing for our community. Where our differences come in is we disagree sometimes about what the right thing is. And therein lies politics and elections and people choose to vote. I do trust my colleagues that they do what they say and say what they do and so I have to object to a discussion about whether or not we invest in our infrastructure or how we invest in our infrastructure should not be an issue of whether or not my colleagues and I are trustworthy.

And so I would like us to sort of try to take that out of conversation. And I think that we need to put aside political differences and find where we agree, because I think this is in the best interest of our community. There's enough other issues that we disagree with, that will distinguish us from each other, politically, that I don't think we need to make investing in the infrastructure and the quality of

our community needs to be a political issue. And so as I think about this, I think the questions we need to ask ourselves, to say do we agree or disagree is one, do we think we need to invest in our infrastructure? Yes or no? I think yes. Two is do we think we have the money to fund investments in our infrastructure where there are existing revenue sources. And I think what I'm hearing out of the subcommittee is the answer is no. Three is if we don't have enough money, how did he want to pay for that? I think that's the question of sales tax and stormwater fees and the fourth is how much do we want to invest?

And so I would like to hear from each of my colleagues sort of at least their thinking on the first two questions is do you want to, do you think we need to invest? And second, do you think we have enough or do we need to raise taxes to do that? So I think that's where we start from agreement and do what is best for our community. We can argue about what projects and how much at a later time but I think starting with those two and maybe three questions is an important place to start.

[Time: 02:14:21]

For me, in terms of the how, what I heard from our Treasurer was that GO bonds make it easier for us to take advantage of matching funds from other sources so it will supplement the money that we can raise, that GO bonds have a lower cost of borrowing that other options would have. What I would add to that, if we are thinking about sales tax versus property tax, a dollar to the city in property tax is a discounted dollar from the taxpayer. Most of us deduct our taxes on our income taxes and so if we are going to do a property tax, it will be a discounted dollar to the citizen, but a full dollar to the city. If we do a sales tax it's a full dollar to the city and the full dollar to the citizen. So I think it's better for the citizens to pay a discounted dollars. So the GO bonds it actually relates back to my experience in finance. And my colleagues need not take my word for it. I encourage you to reach out to financial experts for their opinion. But with all of my experience in financing, I think it's important to match the repayment source with the use ever funds. So if we are going to have a constant payment amount on bonds, whether they are MPC bonds or GO bonds having a steady repayment source like property tax is much more financially prudent.

If we do bonds against sales tax, as our treasurer's told us, that's a much more volatile variable and it puts us in a much more precarious position and so in my upon as a financial services professional, it's much better as a community for us, if we agree we need to invest and if we agree existing revenue sources are not sufficient, GO bonds are the smartest way for us to do it. And if my colleagues don't believe that that's the case, because I said so, I encourage them to reach out and talk to other financial professionals to get their opinion. If you have, find those who disagree then, have them talk to me. My experience is GO bonds are the best way to go and then finally, the last comment I would make is if raising stormwater fees help to pay for stormwater projects then I think that's another alternative that's well worth considering. And so I would like to hear from my colleagues about whether or not they think we need to invest, and whether or not we need to raise the taxes and what their thoughts are. Thank you.

Mayor Lane: Thank you, Councilwoman. Councilwoman Littlefield.

[Time: 02:21:00]

Councilwoman Littlefield: There we go. Okay. Yes. I think we need to invest in our infrastructure. We don't have the money currently to pay for the infrastructure needs that we have in the city, and as we don't get that money, and let it go on and on, the infrastructure needs are going to only increase and the city will continue to decay. We don't want that. None of us want that up here. I don't think any of you want that. So the question is: How do we do it. To my mind, there are certain things and I did not really look at all the different projects yet. I have them.

So to my mind, what I look at is, what is the best way do could it and can we do it? And this, think the best way is GO bonds and the reason is because they are open, they are transparent, and if we set up a bond schedule and put it before the vote, they note exactly what they are voting for. They know the projects. They know the amount of money and they know that that will be what that money will go for, because in a GO bond, it's dedicated to those projects. So I like that it's open, citizens know what they are getting. I also like the fact in Scottsdale under GO bonds we have a citizen committee set up to monitor the expenditures and make sure that money goes to the projects that we said it was going to go to and that it's spent accordingly. So to me, one of the most important things is open, transparency and being honest with the citizens.

[Time: 02:18:55]

So to that point, I will agree with you, Councilwoman Milhaven, however, I don't think that we can do this without some realization of what we would be doing and that would be on the political front. Our citizens are not happy. For us to get something like this passed, we are going to have to convince them that we are honest in what we are trying to do. We are not trying to take the money and spend on it on anything else and we won't do that. That's another reason why I like the GO bond. They are the most stable. They are the most open and honest form of debt raising. I do like the ability to leverage and GO bonds are not good for leverage, and the sales tax is.

So if the Council decides, well, we really want a little bit of leverage, fine. If we want to go in that direction, I would still want the openness and the transparency that we have with the GO bond and we would name the projects that we were raising this money for and we would then do the same thing with the leverage sales taxes that we do with the GO bond. We would have the projects listed, the money spent for each project and a citizen commission to watch to make sure that the money goes to those projects.

Then if we are really lucky, and those projects, they cost less than we anticipate, and all the projects are done and the sales tax is there, we can stop the sales tax. We can always decrease it if we want to. And say, hey, thank you citizens. We did what we promised. And now we're going home! That's it. So we can do that. I like the stormwater fee, again, that's a leverage thing we could use and that's a good way to pay stormwater needs throughout the city. There's a lot of them and we could list those also.

One other comment I would like to make and that is if we do a GO bond, and we have the different

sections like we did before, the transportation, you know, whatever, we need to make sure that every question that we ask our citizens has something for all parts of the city. So that the south has something, the north wants something and the central part of Scottsdale needs something. Make it so that there's something for everybody and the reason for the citizens to vote yes. Because if we do that, they are going to vote no because we are raising their taxes. So that's how they will see it.

I also like the fact we have taken out the Preserve money and the other things so that they are the stadiums, so that they are set aside and not a part of any of this. I think that's very wise. And that needs to be brought out in the advertising. That's where I am open, transparent, honest, and available for questions to anybody who asks. This would have to be marketed. It's going to have to be sold to improvement because right now possible their mindset is positive to giving us more money. We will have to change that mind-set if we want to get the bonds and the infrastructure needs completed. Thank you.

Mayor Lane: Thank you, Councilwoman. Councilman Smith.

[Time: 02:22:30]

Councilman Smith: Thank you, and to Councilwoman Milhaven, I think you put a good template of questions out there for each of us to address. I will say as an introductory comment, I'm not nearly so concerned that all seven of us agree here on the dais. We rarely agree on anything but adjournment. I'm enormously concerned that the citizens agree. They are the ones who must be made to understand the needs of the city and the financing options available. For us, up here, I hope we can, as I think Churchill once said, set our principles aside and do what is right for a change.

I think number one, is there a need to invest? I mean, that's what the subcommittee and the staff with an enormous amount of work has convincingly portrayed. We are not looking at that tonight. But I think when you see it, it will establish the numbers that Mr. Nichols portrayed. The needs are great and they are getting greater and I think the needs of the city have been avoided too long. There is no magic bullet. This is no money hiding somewhere. We can't shake the tree and get the money out of spending wisely or changing our spending priorities whatever that means.

We have \$15 million that we can identify for the General Fund available for this enormous list of projects and we wouldn't even have that if it wasn't for the food tax. So the answer to the second question is abundantly no. We do not have money without the citizens participating in this and sprucing up their own city. How do we pay for it? I would modify that question just a little bit and say, who should pay for it? Because it was emphasized to some degree, but it's worth emphasizing even more, that the various alternatives that were presented have dramatically different constituencies that are paying for it.

If you want business to pay anything towards the keeping up the city, then you have to do a GO bond because business doesn't pay sales tax. If you want the tourists to pay anything, you probably have to do a sales tax because they don't pay GO bonds. So we may have to search for a mechanism that not only addresses how do we pay for it, but importantly, who do we want paying for this program,

and maybe it's a combination of alternatives. How much to invest? I guess we are punting that for later, whether it's 350, 450, but I'm not embarrassed to ask for right number to my fellow citizens.

[Time: 02:25:39]

I'm not going to go out there and pretend that \$100 million is all we need when we know fundamentally, it is a much greater number. And a question that was introduced by Councilwoman Littlefield has to do with a bond commission and oversight group. We have always had those in the past. I think even Mr. McLaren who was one the public speakers serves on the bond committee, that administered the last bond approval. So if there's a question, should we have a bond commission, absolutely. We should have it no matter how we finance these projects, whether it's MPC bonds through a sales tax or a GO bond.

I think fundamentally in my mind, it comes down to the question of how are we going to do it. I'm not, I'm not embarrassed to go to my fellow citizens and say I want you to support a general obligation bond for a substantial portion of this. Because I will remind them that they are paying less now, half, probably, than what they did ten years ago and this won't increase it a bit over the next ten years. We can do this and not increase their secondary property tax. I'm also not embarrassed to go to them and ask for some modest increase in the sales tax. We cannot continue to build a city of the excellence of Scottsdale if we have the lowest sales tax in the state of Arizona it's mathematically impossible to continue on this downward slope. So I can see a scenario and I challenge staff to come back.

There's something that may be a few projects where the sales tax makes sense, where it's the most logical way to fund the needs. Maybe they are repetitive projects. Maybe they are routine street projects. Maybe they are M.A.G. projects where they want to have matching funding although the M.A.G. projects could be funded under either revenue source. We can promise the citizens we will segregate those money. We will spend them only on capital and we will have the bond commission to look at the expenditures. We will give them all the safeguards they want.

So like me and my colleagues, I think the GO bonds are the best way. They are the most, they are the way to fund capital expenditures but I'm not opposed to having some small portion of the capital feeds to be funded with a sales tax. The most important thing in my mind is that we have unity among ourselves in sharing with our neighbors, that we are way, way, way behind in investing in their city. And if you want it to be the city of pride that brought them here, you have to vote and invest in the city in the future. And whatever the mechanism may be. Thank you, Mayor.

Mayor Lane: Thank you Councilman. Councilwoman Klapp.

[Time: 02:28:55]

Councilwoman Klapp: I'm not going to talk at length at this. I think you are getting the picture of where we all are on this. I do believe there's a need. I believe that we cannot fund our needs through our existing General Fund and that we have to look for a funding source. In my mind, that

funding source is general obligation bonds. I'm not inclined to want to increase sales taxes. I believe that we can get our long-term capital needs funded through long-term funding such as GO bonds, and I don't really feel embarrassed that we are hovering near the bottom in the sales tax. I don't think that's necessarily a bad thing. I think the retail sources that we have.

So it stands to reason in some cases that our sales tax rate may be lower than other, where they don't have the capacity, to raise it, to bring in funds through sales taxes. So my feeling right now, I would rather not be looking at sales tax. I would rather fund our long-term capital needs with long-term funding such as GO bonds. I feel that sales taxes are regressive and too difficult for the people in this city who do not have the funds to pay the additional sales taxes and right now, I don't like the concept as we mentioned by Councilman Smith that we are funding some of our capital needs, by moving the food tax over to the capital side. I think the food tax should be gone. And so my feeling is we need to be looking at general obligation bonds and probably also some form of increase in stormwater fees to take care of some of those projects. That's my general thought about this. And I think it lines up relatively well with everyone else, that I'm noting at this point to look at an increase in the sales tax.

[Time: 02:32:44]

Mayor Lane: I want to say to those would have, I know that I sort of embraced a little bit of the skepticism and maybe even distrust on the basis of items that have no bearing on the kind of funding we are talking about here. But one thing on the dais, the general obligation bonds fulfills probably one of the foremost issues that have been raised about some of these questionable issues and it requires a public vote for a project. Something that everyone has looked for. So to potentially stay in the field of opposition to us funding capital needs on the basis of those other projects is something we need to get past. I was about to close out.

Councilwoman Milhaven: It seems to me the conversation was winding down and I heard from all of my colleagues but I don't want to put them on the spot. I know Councilman Phillips was a member of the subcommittee. Since we were only able to discuss this in an open meeting. I was wonder if Councilman Phillips could share his point of view with us.

Mayor Lane: Thank you, Councilwoman. Does Councilman Phillips have something to say?

Councilman Phillips: I'm not here to answer to my other colleagues. We will have a work study on this.

Mayor Lane: Very good. With that, I think it's been a useful conversation and given some direction to options that we might want to be reviewing and in that work study and I don't know that we set a date or time on that....

Jeff Nichols: Mr. Mayor, I believe the date is March 27th, but I think the staff needs to be ready for that.

Mayor Lane: That suits your staff needs?

Jim Thompson: That would be great.

Mayor Lane: With that, I want to thank everybody for your input and thank you Mr. Nichols for your presentation and for one, I want to say, again, really, in spite of anything, difficult topic, but really was not difficult finding folks like Councilman Smith, Councilman Phillips and Vice Mayor to be willing to take the time that it took to invest in work in this topic. So I want to thank you all very, very much for all of that work and that time. So with that, we do not have any petitions or any requests for further testimony.

ADJOURNMENT

[Time: 02:33:56]

Mayor Lane: Therefore, I would ask for a motion to adjourn.

Councilwoman Klapp: Move to adjourn.

Vice Mayor Korte: Second.

Mayor Lane: Moved to adjourn and seconded. All those in favor of adjournment, aye. We are adjourned. Thanks again.