

---

This document was created from the closed caption transcript of the December 2, 2015 City Council Regular Meeting and **has not been checked for completeness or accuracy of content.**

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

<http://www.scottsdaleaz.gov/Assets/Public+Website/council/Council+Documents/2015+Agendas/120215RegularAgenda.pdf>

An unedited digital video recording of the meeting, which can be used in conjunction with the transcript, is available online at: <http://www.scottsdaleaz.gov/citycable11/channels/Council15>. For ease of reference, included throughout the transcript are bracketed "time stamps" [Time: 00:00:00] that correspond to digital video recording time.

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

---

#### **CALL TO ORDER**

[Time: 00:00:02]

Mayor Lane: Good evening, everyone. It's nice to have you here. We were not able to complete our executive session and we will be reconvening after our regular meeting here our executive session, which is where we are coming from right now. So with that, we will go ahead and start our December 2<sup>nd</sup> regular city council meeting and I will start with a call to order, of course, and then, of course our roll call, please.

#### **ROLL CALL**

[Time: 00:00:30]

City Clerk City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

City Clerk Carolyn Jagger: Vice Mayor David Smith.

Vice Mayor Smith: Present.

City Clerk Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

City Clerk Carolyn Jagger: Virginia Korte.

Councilmember Korte: Here.

City Clerk Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

City Clerk Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

City Clerk Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

City Clerk Carolyn Jagger: Acting City Manager Brian Biesemeyer.

Brian Biesemeyer: Here.

City Clerk Carolyn Jagger: City Attorney Bruce Washburn.

Bruce Washburn: Here.

City Clerk Carolyn Jagger: City Treasurer Jeff Nichols.

Jeff Nichols: Here.

City Clerk Carolyn Jagger: City Auditor Sharron Walker.

Sharron Walker: Here.

City Clerk Carolyn Jagger: And the Clerk is present.

Mayor Lane: Thank you. Just a couple of items of business. We do have cards if you would like to speak on any agenda item and public comment. Those are the white cards that the city clerk is holding up over her head over to my right. If you would like to give us any written comments there's a yellow card that she's holding up over her head for those comments which we will read through the course of the proceedings. We have Scottsdale police officers Jason Glenn and Dave Schurr here to assist you, if you have any need for their services. They are just immediately to straight in front of me. If there's any medical emergencies, please see our fire department personnel for emergency services and he or she is right directly in front of me. And the areas behind the council dais are reserved for the council and for staff but we do have facilities for your convenience over there under

the exit sign if you have need.

**PLEDGE OF ALLEGIANCE**

[Time: 00:01:49]

Mayor Lane: And we are honored tonight to have the Troop 124 and their leader Erin Quill and Tamara Rink. If you would like to move to the microphone ladies and if you can, please stand.

Girl Scout Troop 124: I pledge allegiance to the flag of the United States of America, and to the republic for which it stands: One nation under God, indivisible, with liberty and justice for all.

Mayor Lane: Thank you very much. If you would, turn the microphone around so each of you can introduce yourself and maybe let us know where you go to school and what your favorite subject might be.

Maddie Hummons: I'm Maddie Humons and I go to Mojave Middle School. I'm ten years old.

Brinly Quill: My name is Brinly Quill and I'm on the varsity cheer and I go to Mojave.

Riley Pruitt: My name is Riley Pruitt, I go to Mojave Middle school. I'm 11 years old and my favorite subject is math.

Sidney Lowry: My name is Sidney Lowry. I attend Mojave Middle School and I'm 11 years old and my favorite subject is social studies.

Aubrey Jones: I'm Aubrey Jones, I'm 11 years old and I go to Mojave Middle School and my favorite subject is art.

Sharon Rinck: I'm Sharon Rinck and I go to Mojave Middle School and I'm 11 years old and my favorite subject is art.

Alexa Kelly: I'm Alexa Kelly and I attend Mojave Middle School and my favorite subject is social studies.

Caitlin Paul: I'm Caitlin Paul, and I go to Mojave and I'm 11 years old and my favorite subject is math.

Mayor Lane: Thank you very much.

**INVOCATION**

[Time: 00:03:57]

Mayor Lane: Just to check, do we have Pastor Rustin Rossello here in the audience? Pastor

Rossello will be providing the invocation, and he is from the Scottsdale Bible Church. You know, I will tell you what might be easier, Pastor, if you will go over there to that podium.

Pastor Rustin Rossello: This is a lot better, thank you. Thank you for having me. Let's bow our heads for an opening prayer. Lord, we give thanks today for the opportunity to come before you. God, we give gratitude for the mayor and the councilmembers, for their selfless service to the city of Scottsdale. God, will you lead and guide the events of the evening, and provide a spirit of unity and cooperation for the night. God, will you give wisdom to the leaders and for anyone who speaks, will you give them a clear mind to communicate their thoughts. God will you bless the meaning and the decisions that are made would bless the ones that the council serves and benefits them in a tangible way. This is our prayer. Amen.

Mayor Lane: Amen. Thank you, pastor.

It looks like we have no requests for public comments. So I will skip that item.

#### **ADDED ITEMS**

[Time: 00:05:13]

Mayor Lane: We do have a couple of added items. A1 and supporting materials numbers 22, 31 and 32 will be added to the agenda less than 10 days to the meeting and will require a separate vote from us to remain on the agenda. So if I could, I will ask to accept these items on the agenda as presented, or to continue the items to a January 11<sup>th</sup> council meeting. Do I have a motion?

Councilmember Korte: Mayor, move to accept the agenda as presented.

Councilwoman Klapp: Second.

Mayor Lane: The motion has been made and seconded. We are ready to vote on that item. So please indicate aye if you are in favor and nay if you are opposed. Aye. It's unanimous in accepting those agenda items as presented.

#### **CONSENT AGENDA**

[Time: 00:05:56]

Mayor Lane: So we are moving on then to consent agenda items 1 through 30. I see no requests to speak from the public on any of those items and no requests from the council. Any comments or questions on those consent agenda items? And if not, I would accept a motion to approve.

Councilmember Korte: Mayor, I move to accept consent agenda items 1 through 30.

Vice Mayor Smith: Second.

Mayor Lane: The motion has been made and seconded. I have think we are ready to vote on that. All of those in favor of the consent items as has been moved please indicate your vote. Aye. Unanimous again. Thank you very much. If you are here for those consent items you can either stay with us or you can leave quietly.

Moving on to the regular agenda items which are items 31 through 36.

**ITEM 31 – GALLERY NON-MAJOR GENERAL PLAN AMENDMENT AND REZONING (3-GP-2015 AND 12-ZN-2015]**

[Time: 00:07:01]

Mayor Lane: We will start with item 31, as it would be normal. The gallery non-major general plan amendment and rezoning, that's 3-GP-2015 and 12-ZN-2015. We have Mr. Carr here, our senior planner for presentation from staff.

Senior Planner Brad Carr: Yes, thank you, mayor and good evening. As you mentioned, this is the Gallery project, 3-GP-2015 and 12-ZN-2015 as noted here on this aerial. It's located west of the Scottsdale road on the south side of the Earl drive just -- this is just outside of our downtown boundary. A little close-up aerial shows site is currently vacant. There hasn't been any development on this for a number of decades. There are two automotive repair centers. To the west there's an existing condominium development and townhomes. To the north some retail and as noted, the Scottsdale Trailer Corral. This site currently is at the general plan designation of mixed use neighborhoods.

The applicant tonight is requesting to modify that to a non-major general plan amendment to urban neighborhoods to allow a project on the site for multifamily residential. It's c-3. The properties to the east and the south, the automotive repair centers are c-4 designated and the proposed zoning of r-5 would allow the multifamily. It showed 18 townhome units on the property entering off of Earl drive. As of note, the particular zoning designation that the applicant is requesting, because it is abutting those existing c-4 commercial properties to the east and the south, would impose a 25-foot setback requirement on those developments as a result of the rezoning of this particular property.

Shown on this slide as -- in red, and a dashed line is that 25-foot setback that would be imposed. Any existing building that is currently located in that setback would be considered non-conforming as a result of the zoning action. Any future development on the site would have to conform to that new 25-foot setback that is required.

At this point, the city has received two protests. They are concerned about the new setback. The planning commission has heard this case twice. At the first hearing on October 28<sup>th</sup>, generally the planning commission accepted the new housing options and the new investment, but they were concerned with the new 25-foot setback in position on the adjacent properties. They continued the case to November 18<sup>th</sup> hearing for the applicant to allow those uses to continue to operate as they

exist currently without the potential 25-foot setback on their properties. At that November 18<sup>th</sup> hearing, the applicant mentioned the possible solution which would be a development agreement for those two properties. Planning commission recommended approval of both of the proposed general plan and rezoning with a vote of 6-0.

So as a result of that proposal for the development agreement to basically get rid of the 25-foot setback, there's several policy implications we would like to discuss with you this evening. The first being that development agreements as a use to resolve conflicts, they kind of present some long-term citywide implications. Specifically, agreements can be the -- the proposed and create inconsistent application of zoning treatment on different properties. That has issues with regards to administration of the zoning requirements and also agreements as proposed are not limited in terms but are perpetual. Again, the length of the term is not generally something that a development agreement gets involved with, it's usually shorter term, 10, 15, 25 years. The applicant is asking that it be perpetual to allow them to exist in current operations now until the city adjusts the zoning on the property or adjusts their zoning requirements to be in line with requirements that don't have the 25-foot setback.

And, again, other policy issue, in the future, issues needing resolve could be more substantial than just a 25-foot setback. If we start -- if the city gets into a development agreement to resolve potential setback or otherwise, otherwise development standards, those development standards could be much more substantial than a 25-foot setback. There are development standards that require setbacks from residential districts that protect privacy, and so those -- the implications of something like this are much broader than this one -- these two development agreements.

Again, the agreements of special zoning standards would make it difficult for the zoning administrator to manage the zoning code if similar properties in the city started to use, I guess, Taylor cut and specific zoning cuts for each lot or each development. And, again, agreements to resolve conflicts, there is potential that they would maybe provide incentive for other property owners to file a legal protest to leverage zoning standards and other items from the city.

And finally being the city has -- or the applicant has other alternatives available to them to potentially resolve the conflict. One being the -- moving the zoning boundary line to resolve the 25-foot conflict. Another would be altering the site plan to resolve again the conflict of the 25-foot setback on the existing automotive properties. And finally, the applicant team could -- I guess the applicant or the owner could compensate the others. Pending a decision by council on the proposed development agreements and with that, that wraps staff's presentation and the applicant is here to present to you.

[Time: 00:13:53]

Mayor Lane: Thank you, Mr. Carr. If the applicant is ready to make a presentation, we can go to that.

Applicant Jordon Rose: Thank you, I'm Jordan rose with Rose Law Group and with me is Chuck Chism and Jennifer Hall, the senior planner in my office. I wanted to say we are incredibly thankful tonight

to be here after working very hard with our neighbors, the two automotive centers and your city staff and your city attorney. We feel like we found a really great win, win, win solution for this situation, where we want to build 18 ownership interest units, these are not condos or departments behind a gate at a starting price of about \$500,000 in south Scottsdale. So we are really excited about the project. And K. Hovnanian wanted to express the appreciation.

So let me go through a couple of the points that Brad made today and then if you want me to talk more about the details of the project, I can certainly do that too. Modern elegance ownership in downtown Scottsdale.

When we first came in to talk to our automotive neighbors, they talked about three things. They wanted to make sure that we disclosed the adjacent uses we worked through some language that they stipulated this to. The second thing is we wanted to use sound attenuation materials on the windows and the walls so that we didn't hear the automotive uses, although these folks that will move there know that they are moving into a downtown location. We are using the highest quality sound attenuation materials and that's also stipulated in your staff report.

I will tell you that our neighbors are not here tonight, because we made a deal and they signed a revocation which I think is in your packets of legal protests pending the development agreements that they also signed, that you approve those. And these auto repair shops are not a precedent for anything. They are not asking you for anything or asking us for anything. They are asking for us one property right that they still have their zero foot setback. And that's it. They are not asking us to compensate them. They don't want compensation. We would try to buy their property. They don't want that. They just want you to preserve their setback and you are the only party that can do that. I can't do that, K. Hovnanian can't do that. It's not a precedent at all.

That's the 25-foot setback to our property. It makes a lot of planning sense, frankly that you would want to preserve the 0-foot setback because you can see the bays currently face away from our residential community and if the 25 setback facility would be there, then they would be facing towards the community. This K. Hovnanian site is a one acre site. It doesn't work to move the setback 25 feet on to their property line. It's just too small of a site to make that possible.

The property owners don't want to be compensated. They don't want money. They just want their setback. They want their property rights, right? And they want to preserve what they currently have, nothing more. They are not asking for anything. And you are the only one because it's a city regulation that can do that.

So basically, the agreement is situated so that it's -- it preserves their zero foot setback for 25 years. It has a 25 years rules unless you and the property owners agree to terminate or the city adopts a zoning code, which many cities do in the downtown area to change the setbacks to the residential and the commercial to the zero setback or the zero setback or the auto repair guys they decide to rezone their property and then this goes away too. There's three situations where this agreement terminates, but who is the agreement hurting? You think, the only -- the only pert that this is even affecting is K. Hovnanian. No one else can see it. It's a win, win, win.

This sat vacant as a c-3 for 30 years. It will raise the property values in the area. This is certainly going to -- these homes are going to sell it above your median priced home and the neighbors were working with the developer and the city to create a situation. We are really happy to be involved in it to tell you the truth. We thank you tonight.

I can go through and tell you about all the merits of the case but I know you have probably read the packets and you understand those things and let me know if you have questions and thanks to your staff tore helping with us.

[Time: 00:18:53]

Mayor Lane: Thank you, Ms. Rose. We have a couple of requests to speak. Nevertheless, if you would like to wait. We'll start with Jack Austin. Oh, I'm sorry. Maybe it's Austin jack.

Austin Jack: Mayor Lane, Vice Mayor Smith, my name is Austin Jack. I'm with the Scottsdale Gateway Alliance. We are a 501 (c) (4) group. Currently we are conducting a reimagine Scottsdale. We are gauging interest on how to build the sense of community in southern Scottsdale. Currently that's not there. In doing this, in overwhelming statistic we are getting is residents want more residential. Quality residential. Residential like K. Hovnanian is creating. I think the 1.2-acre plot is brilliant. It will bring a new hip vibe to the area and it fits exactly what the Scottsdale Gateway Alliance is trying to do. We have been putting our efforts at the senior center, Papago Park and Papago plaza and the Dutch Bros and the trolley system. So the overwhelming response is residential housing. I urge you to approve this.

[Time: 00:20:27]

Mayor Lane: Thank you, Mr. Jack. Brian Krob.

Brian Krob: My name is Brian Krob. I'm a member of Scottsdale Gateway Alliance. I'm here to support the passing of this agenda item to basically say that the type of project that it is, an infill into an area that has very similar projects within walking distance of it, that does take care to consider the aesthetic of the area, to look at how best to improve the area with a project like this. I think that this is the type of project that's exactly what is needed in the area and I just want to reiterate what Austin said as well, in just, you know, what the SGA is trying to do, to bring this type of development to the area. Thank you.

[Time: 00:21:50]

Mayor Lane: Thank you, Mr. Krob. That completes the public testimony on this item. Do we have any comments from council here? Councilman Phillips?

Councilman Phillips: Thank you, Mayor. I move that we approve resolution 10287, 10308, 10279, and 4230.

Councilwoman Klapp: Second.

Mayor Lane: The motion has been made and seconded. Would the second like to speak to it at all?

Councilwoman Klapp: Just briefly. I do think that we -- we always encourage the applicants to work with their neighbors, and my feeling is if you came up with a development that's acceptable to both sides of the issue, then that's a good agreement. I don't have any reason to doubt that the development agreement ought to be approved and that's why I seconded in motion.

Mayor Lane: The motion has been made and seconded. Councilwoman Littlefield, would you like to speak toward it?

[Time: 00:22:41]

Councilwoman Littlefield: Yes, thank you. I would like to say, this is exactly what legal protest is supposed to do. To bring together the parties and work out something that approved by both sides. Thank you, Jordan.

Mayor Lane: Thank you, Councilwoman. Mr. Washburn.

City Attorney Bruce Washburn: You should vote on the resolutions 10287 and 10308 first to approve the development agreements, because the -- that valid legal protest doesn't go away until the development agreements are approved.

Mayor Lane: Are you saying we should do them together?

City Attorney Bruce Washburn: Usually my preference is to do them separately.

Mayor Lane: We are going down the line right now. Thank you. I appreciate that. Okay. And Vice Mayor Smith?

[Time: 00:23:41]

Vice Mayor Smith: Thank you, mayor. Briefly, I would like to say that this is a great project. It's a project that matches luxury, multifamily family housing and I'm happy to see it coming into south Scottsdale. It does create a precedent. I have think we had a lot of discussion that not all precedents are bad and if precedents are considered, they can solve problems. Maybe we will find a chance to use it again, but it's a good project and I will be supporting it.

Mayor Lane: Thank you, Vice Mayor. Seeing no further comment then, I think we are ready to vote. We have a motion and a second on the table. Please indicate by aye and those opposed with a nay. Well, the motion was made for resolution 10287, right? Okay. Very good. Thank you for catching that. Okay. So we will take them separately and then right now, if the motion maker is

ready to just go on resolution 10287, and the second?

Councilwoman Klapp: Yes.

Mayor Lane: All right. Then that's vote. All those in favor indicate with an aye. Those opposed with a nay. It's unanimous for item 1, resolution 10287. Moving down the line in the order of sequences as we have been instructed we have a motion on the adoption of resolution 10308.

Councilmember Korte: So moved.

Councilwoman Klapp: Second.

Mayor Lane: Moved and seconded. Then we have that and no further comments indicated. All of those in favor please indicate by aye. Those opposed with a nay. Aye. Moving on to item three.

Adoption of resolution 10279, approving the non-major general plan amendment to the Scottsdale general plan 2001 conceptual land use map from the mixed use neighborhoods land use designation to the urban neighborhoods land use designation.

Councilman Phillips: So moved.

Councilwoman Klapp: Second.

Mayor Lane: Moved and seconded. No further comments indicated. All those in favor, please indicate by aye. Those opposed with a nay. Motion carries. It's unanimous passage on that resolution 10279.

And moving on to item 4, adopt the ordinance number 4230. Approving a zoning district map amendment from highway commercial c-3 zoning to multi-family residential r-5 zoning and determining that the proposed zoning district map amendment is consistent and conforms with the adopted general plan for 1.2-acre plus site.

Councilman Phillips: So moved.

Councilwoman Klapp: Second.

Mayor Lane: The motion has been moved and second. Seeing no further comment all those in favor, please indicate by aye. Those opposed with a nay. Motion carries

Applicant Jordan Rose: Thank you so much.

Mayor Lane: It's unanimous on all four of them. That completes it. Thank you, Ms. Rose.

**ITEM 32 – BAHIA WORK LIVE PLAY REZONING (14-ZN-2014#2)**

[Time: 00:26:57]

Mayor Lane: Moving on to the next item, Bahia work live play rezoning. That's 14-ZN-2014 number 2. This is adopt resolution 10277 and 10278. And we have, of course, Greg Bloemberg here in front of us to print for the staff.

Senior Planner Greg Bloemberg: Thank you, Mayor Lane and city council. Again, Greg Bloemberg, senior planner here to present to you 14-ZN-2014 number 2 which is a request to amend the stipulations from the original zoning approval, for which is 14-ZN-2014. At this time -- it was approved about a year ago today to allow for a mixed use project and the project needed bonus height and floor area ratio, and in order to get that bonus height and floor area ratio, this ask an allocation amount. So this discussion centers around allocation.

Just to refresh your memory, the site is located in the southwest corner of 92<sup>nd</sup> and Bahia and Bell to the north and WestWorld to the south. If it's a site plan that was approved, these are all work live townhome units and this is a condo building with first floor commercial retail.

Back in December of last year, when the zoning case and the development agreement were approved, based on the formulas in the PCPs, an amount was required for commercial improvements. Two different projects associated with WestWorld, site improvements and land use improvements and an acoustic wall for the north event hall and there was a 94<sup>th</sup> street improvements specifically lighting and pedestrian improvements.

And we come to today, and this is what is proposed now by the applicant. I mean, these are all options. I just want to clarify that these are all options that are available in the PCP district. The difference between what is proposed here and what was previously approved is all these improvements would be done to the project itself. The previous improvements that were approved would have been offsite infrastructure and site improvements for WestWorld. So under this proposal, approximately half the funds would go towards public art for the project. 50.25% or so would go towards project compliance with the international green construction code, and then there's public access associated with public art that would be dedicated by the applicant, about 17,000 square feet of property, and the balance due would be covered by the dedication of those easements.

So the three options tonight, basically you can approve the applicant's request, to reallocate based on their proposed allocation, and the second option would be to just go with the original zoning agreement, and the zoning approval and direct the funds towards the WestWorld improvements and the 94<sup>th</sup> street improvements or option three, direct the applicant for allocation of funds other than those proposed and that the November 12<sup>th</sup> planning commission hearing, the planning commission recommended option number one with a unanimous vote of 5-0. That concludes staff's presentation. I will turn it over to the applicant for their presentation.

[Time: 00:30:55]

Mayor Lane: Very good. Thank you Mr. Bloemberg.

Applicant Irene Clary: Mayor Lane, my name is Irene Clary. I'm representing the Catclar Investments. We have prepared a booklet for you, just to show you where, if you would turn to the site plan on page 2, it gives you a description of where we are proposing the public arts, and then if you go through the booklet, it shows you how we are applying and complying with that program. So we respectfully request that the special improvements commitment is changed from the payment of the off-site improvements to the project with the international green code and cultural improvement and the public arts. We think this will be a great addition in the area, and I think it will enhance the project. So we hope that you go with option one, that was also recommended by the planning commission. Thank you.

[Time: 00:32:19]

Mayor Lane: Very good. Thank you Irene. Mayor Lane: Let's see. There are no cards on this particular subject. But Councilmember Korte.

Councilmember Korte: Thank you, Mayor. I would like to move to approve option number one and adopt ordinance number 4231, resolution number 10277 and resolution number 10278.

Councilwoman Milhaven: Second.

Mayor Lane: A motion has been made and seconded. Any further comments requested on this? Then I think we are ready to vote. All those in favor please indicate by aye. Those opposed --

Councilman Phillips: Can I ask a question?

Mayor Lane: Sure, I didn't -- I didn't see you up here.

Councilman Phillips: I pushed it but I guess it didn't work again. I can bang on it if that helps. My question was you are trying to put some of this money towards the green building program; is that correct?

Applicant Irene Clary: Yes.

Councilman Phillips: With respect you already LEED certified.

Applicant Irene Clary: It would not be LEED certified but we are considering taking that next step because we are very close. The compliance with the green certification program which is outlined in the back of the booklet will show you the areas that we are implementing anything from the windows to the materials used to create the wall systems, solar paneling, trex decks, and so we are not that far off from the LEED certification, although we have not taken that step to decide whether we are going to take it to that next step yet.

Councilman Phillips: Maybe I misunderstood that the first go around. I thought you already had a LEED certified project.

Applicant Irene Clary: Well, this is green certified which is in compliance with the city of Scottsdale's green certification, and we have been working with Anthony very closely to make sure that we do comply with that. In fact, we exceed in some areas in complying with --

Councilman Phillips: I would think that any LEED certify would already comply with the green certification.

Applicant Irene Clary: They are just a little different. Technically, I'm not sure if I can have Mr. Barger explain the difference. Trevor Barger.

Trevor Barger: The project was not previously LEED certified. The project had many green aspects to it, primarily in the land planning. We did not even consider this option until Anthony and the staff brought it forward and suggest you take a look at it. The P.C.P. very much encourages looking at the green building and as Irene has been explaining, the city's green building code is different than the LEED code and we have been working diligently with their team to make sure that we are in compliance with the city's code.

Councilman Phillips: That was an oversight on my part, because the first time around, I mean, I guess I assumed that it was because it's a project. And I have always pushed Scottsdale's green building program because I think it's just as good, if not better than LEED without the cost. I thought it was already in there.

So, you know what, to me, I really don't think this is an appropriate use for the money, I'm sorry. But, you know, the 1% is supposed to go to public art. I think the whole thing -- we had the council decide where the money would go. We have never done that before. And I didn't agree with that then.

So I would go for the option c which is to come back and make it all public art and if you want to be green certified or LEED, that's your project costs. I don't think that should be taken out of the money you are supposed to be putting into the public art. I would go for option c.

Trevor Barger: If I might suggest, the zoning code actually outlines 11 categories that the council has previously stated these elements are what we are looking for as special improvements to qualify for this sort of thing and so I understand it's not one that you see as I strong preference but we were only following the guidelines set by previous councilmembers saying this is what we were looking for to meet the standard.

Councilman Phillips: Okay. That's just my opinion. Thank you.

[Time: 00:36:43]

Mayor Lane: Thank you, Councilman. Councilwoman Littlefield.

Councilwoman Littlefield: Yes. When we originally approved, this the money that we had set aside, the \$800,000 was to go to burying the power lines and you were going to set up a district to put that money in to help pay for doing that. The overhead lines. What happened with that? Because that was supposed to be for public benefit.

Applicant Irene Clary: I would like to defer to Greg Bloemberg to answer that question, if I may.

Senior Planner Greg Bloemberg: Mayor Lane, city council, Councilwoman Littlefield that is still an ongoing process. It hasn't been resolved yet. I'm not sure exactly where it's at in the process but it has not been resolved yet. So we have no -- we have nothing that's been formally submitted in the form of an improvement district and we don't know when the lines will be installed.

Planning and Development Services Manager: If I might interject. Initially when this zoning case came to you, the \$880,000 roughly was proportioned among different projects on 94<sup>th</sup> street and at WestWorld. Council then asked if staff could look at the potential of an underground district for the power lines which was being proposed by another property owner in the area. So far that's not materialized. I think the applicant would be willing to participate in that district if it were formed. It's difficult. It's not possible for one property owner to initiate that district. And so they are relying on the concurrence of other property owners in the area. This is simply a request to shift from the previous allocation to offsite improvements to on-site improvements.

[Time: 00:38:39]

Mayor Lane: Councilwoman Littlefield, I might want to fill in a little bit of what's developed in that regard. It's a very important project as far as that area of town is concerned with APS trying to schedule, to put in an overhead line of 69 kv line and I was instrumental in trying to make sure that the district had some additional support and so I do appreciate your question in that regard.

But through the course of events and the development of it, there's some opportunities to more than offset for what might have been previously set aside from these funds, in a process that the applicant is actually working actively with and being part of that district and moving that forward. And APS has granted us an extension of a year on that installation too, to work those limits out.

Councilwoman Littlefield: Well, my major concern with this is that the money that was allocated with public funds for helping to do that, now it looks like a lot of this money is going to be going towards helping the private enterprise upgrade their building and I don't know that that is appropriate use for public funds and public money. Thank you.

Mayor Lane: Thank you, Councilwoman.

Trevor Barger: Mayor Lane, Councilwoman Littlefield, if I might suggest, the code is pretty clear on the topic and it's the only reason we came back with such a recommendation. It actually states 11 things that it considers public benefit that it considers appropriate for the allocation of these funds.

Understandably we are the first one to try the code and so it's all new to both sides of what's included and what it says and so it outlined these things as a public benefit because we can't do it for just private use. Similarly it has to be public art and it goes along with what is being public art. We get to install something we like and be done with it.

Similarly, the improvements in the green building and several places downtown as well as in the PCP district, the city has tried very hard to get developers to be encouraged to look at the city's green building code and what it specifically requires and I can honestly say, we would not have looked at that as a possibility except for it was one of the clear statements in this code as how one complies with the special improvements.

[Time: 00:41:11]

Mayor Lane: Thank you, Vice Mayor Smith?

Vice Mayor Smith: Thank you, mayor. At the outset, I will support this some manner because we did pay them through three hoops. And we need to put this to rest. I do concur with those who say this is an odd application but it's a legitimate application in the city code.

I frankly have some issue with the fact that we actually have building variances for sale. I don't understand the whole concept of why we can sell the right to somebody to make it higher or different density or whatever. So the whole special improvement commitment is an oddity to me, and I would love to see us debate that again as a new council sometime. And then the application to the money, I, like others believe that it should be somewhere off premises if you will. And for some public benefit, for the benefit of the public other than the property developer.

So there's lots of reasons I don't like this. I will approve it, because I think we owe that to the applicant here, but I would surely like for the city manager to take note that this is something that would be a great topic for us to discuss in the future and see if we can reduce the list of 11 acceptable items to 10 or fewer. Thank you have.

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

Councilmember Korte: I call the question.

Mayor Lane: The question is called. I don't believe that there's any objection to that. Then I think we do still have the motion on the table and even though they are partially through, we will start anew. All those in favor of the motion as has been expressed and seconded, please express it by aye and register your vote. It passes 5-2 with councilwoman Littlefield and Councilman Phillips opposing. So thank you very much.

**ITEM 33 – 2016 STATE LEGISLATIVE AGENDA**

[Time: 00:43:14]

Mayor Lane: Moving on to the next item is the 2016 state legislative agenda and we have Brad Lundahl, the government relations director here for presentation. Mr. Lundahl.

Government Relations Director Brad Lundahl: Good evening Mayor and Members of the council. Mayor as you mentioned, I am here tonight to go over our state legislative program and hopefully answer your questions, and be asking for your approval at the end of this presentation. In the interest of time, I'm not going to go through my entire legislative agenda page by page with you. What I thought I would do is cover the high points and any new material that is different this year or areas that I think you would be interested in.

So just a bit of a recap, the legislative session will begin on January 11<sup>th</sup> of this year, it's the second session up there -- or second session of their legislature. President Biggs, of course is still the president and the house speaker David Gowan. This will be his last session as speaker, as he's termed out. And he has mentioned he will be running for Congress in the first congressional district.

So how the legislative agenda is put together each year, I get input from our directors, charter officers, and from councilmembers and this goes into a document that becomes the guiding document for not only the city but my actions at the state legislature. I have broken it down into essentially two sections our core principles and our policy statements. And council members, as I move through this, feel free to ask me questions along the way, if you have any.

Mayor Lane: Very good, Brad, thank you.

Government Relations Director Brad Lundahl: I will ask you to add to this, subtract to it. This is really your document and then, of course, consider approval of the legislative agenda. I will start off in the policy statements.

First off, we have a proposal to oppose any legislation that would eliminate the current provision in the TPT statutes that gives cities such as Scottsdale essentially kind of a get out of jail free card in that the state has to meet certain standards to our liking before we turn over the remainder of our administrative TPT functions to the state. If you remember a couple of years ago, there was a TPT simplification bills it required simple provisions such as our auditing and tax administration to move over to the state. Some of that has occurred. Some of it is on hold. This one provision is something that's been used really to give us leverage to require the state to meet our standards before our tax systems go back over tonight state. We have heard rumors that there are entities that would like to remove this provision in statute and so this is really our call right out of the box that we would oppose that, if legislation were run.

Next, there was ballot initiative several years ago that put into place a funding mechanism for tourism, and for the stadiums and our cactus league. That has been challenged. It was a surcharge on rental cars that was challenged and the challenge was successful. That has been appealed, I believe, right now. But if that lawsuit continues, successfully, we would lose an important funding mechanism for

tourism. So this is essentially asking our legislature to start thinking about ways that that could be replaced if that lawsuit is successful.

Next up, there was a bill last year, house bill 2254 that would have removed or prohibited cities from collecting a residential rental tax. If you remember, Scottsdale has had this tax in place since 1958.

[Time: 00:47:56]

Mayor Lane: Excuse me one second, Brad. We might -- going back to the previous slide, it might be just worthy of at least a note that the efforts in that ruling and as its ongoing or the losing end, with regards to the rental car surcharges, the cost and the exposure to the city of Scottsdale is somewhere in the area of \$21 million that we would not receive for our sports and tourism dollars for some of our sports facilities that are funded by that mechanism. So it's a very important element of whether there is a potential area for replacement or offsets for those fees. But just to quantify it. This is no small matter.

Government Relations Director Brad Lundahl: Mayor, you are correct, and, yes, I do have notes on that and, yes, it is a very sizable sum. So it's something we should be paying attention to.

As I mentioned, residential rental bill was run last year that would have prohibited us from collecting that. We have had this tax in place since 1958, and, again, we collect approximately \$5 million a year on that tax. And as you mentioned before, you know, these millions of dollars do start adding up and that would be a sizable amount to us, if we were to lose that. So, again, we have heard that there will be another bill this year. So this is aimed at that possible legislation.

Next, we are also hearing that there will be a run at the prime contracting tax. Again, getting back to the tax simplification bill from a few years ago, that bill made changes to administration, auditing and the prime contracting. It in essence created a two-tier system for contracting. The first tier is what they call the MRRA, which is maintenance repair, replace and alteration. This is essentially your service repair industry. The other tier would be prime contracting. These are the larger contractors, the bigger projects. The difference in the two is the first category does not require a TPT license. They pay for the materials and pay the taxes on those materials where they purchase them. The second is under the old prime contracting where there's a calculation and those funds go back to the city where that construction project occurs. The system that is in place now is --

[Time: 00:50:37]

Mayor Lane: Excuse me one second. Yes, Vice Mayor Smith, you have a question?

Vice Mayor Smith: I do. Just before you leave this slide, back to the tax on residential lodging or residential housing. I understand why we as a city may oppose that, because it's significant revenue source for us. I would like to say for myself, this is probably the second most regressive tax that a city can impose on the neediest citizens. The first most regressive being the tax on food purchased for home consumption. But I just don't want people to ignore the fact that this is double taxation on

people that rent properties in the city because we taxed the property for its real estate value, impose a property tax. And then in addition, we attach a sales tax. So to my mind, it is not absolutely clear that this is something we should oppose other than its economic impact.

Government Relations Director Brad Lundahl: Okay. Thank you, Vice Mayor.

Getting back to the second bullet, the system that is in place now is somewhat confusing and there is talk about getting rid of the prime contracting provision and just allowing all contractors to pay their sales tax where they purchased the materials. There are not a lot of large supply houses in Scottsdale. So this would, again, be a fairly significant impact on the sales taxes in Scottsdale.

We move on economic vitality. These provisions were provided to me by our economic vitality or economic development director. First is a continuation of a statewide entity such as the Arizona commerce authority, and continuation of the Arizona competes fund. Both of these are going to expire sometime in 2016, and we would ask that those be continued.

Second is the –

[Time: 00:52:53]

Mayor Lane: Excuse me, Brad. You have a question from Councilmember Korte?

Councilmember Korte: Thank you, Mayor. On the ACA, the Arizona Commerce Authority, was there some conversation around combining that with the Arizona tourism and where is that in the process?

Government Relations Director Brad Lundahl: Mayor, Councilmember Korte, there's been a discussion of that, and I -- off the top of my head, I don't know where they are in that. I can get back to you on that. I know there's been significant discussion about that.

Okay. Next is the recapitalization of the angel investment tax credit. This is a tax credit to early stage small businesses. It targets rural businesses and bioscience companies. I thought that would be something of interest, especially to companies looking to locate in our cure corridor. The program was originally seeded with \$20 million. It's my understanding, they are at or near zero on that, and that would need to be recapitalized.

The next item is support for the extension of the refundable R&D tax credit. These are tax credits provided for R&D activities and the program is capped at \$5 million. Again, that needs to be extended and that authority needs to be extended.

Next tourism, not something new, but because tourism plays such an important part of Scottsdale, I added some new language to exercise the economic impact, not only to Scottsdale but to Arizona, and, again, I wanted to point out the importance of medical tourism to Scottsdale so that the language you see there would reflect that as well. Also last year if you remember, this would have been a bill -- it

was house bill 2570 that would have eliminated our native plants ordinance. There was quite a bit of media coverage and we expect that bill may come back again this year. So I thought I would come before you right now and get that put into the legislative agenda so that we can come right out of the -- right out of the chute in opposition to that.

We have also updated our water language for this year making it a little more clear of what we find important, in terms of our surface and groundwater supplies and the management of our reclaimed and remediated waters. In addition, the governor is going to be asking for additional revenues for the department of water resources. If you remember during the economic downturn, the department of water resources was cut back significantly. There's great concern amongst the water world that they are at a level that cannot fulfill the duties that they are assigned. As you know, water is the life blood of Arizona. So it is important to have an agency that can at least fill the basic functions that it's supposed to do. So we would be asking to support the governor's budget item on that.

Finally, we do have one bill that we would like to run this year that has no do with when the city acquired right of way, specifically right-of-way where the property is tax delinquent. Currently the statute that governs that is unclear as to the amount that the city would owe on those taxes when they would acquire that right-of-way. Because it's unclear, it has become somewhat of a stumbling block when we acquire a piece of right-of-way. So we are seeking authority to clarify that we only want to pay for the fair market value of the property that has been acquired, not the value of the entire parcel, therefore, the taxes due on the entire parcel, but the taxes only on the piece that we are acquiring. So it would be proportional, instead of in total. I don't know if that makes sense.

Like I said, I met with most of you, and explain that, but I would be happy to go into more detail if you want.

Mayor Lane: Thank you, Brad. We have a question on that or another matter from Councilmember Korte.

Councilmember Korte: That was before.

Mayor Lane: Okay. It just didn't get cleared. Okay. Never mind.

Councilmember Korte: Okay.

Mayor Lane: We don't have any other questions that we see.

Government Relations Director Brad Lundahl: The final action item would be approval of the agenda and then I can put our stamp on it, and get it out there.

Mayor Lane: Very good. Then we are considering the approval the city the Scottsdale's state legislative agenda.

Councilmember Korte: So moved.

Councilwoman Klapp: Second.

Mayor Lane: Moved and seconded, unless the seconder wants to speak to it. All those in favor of the motion as expressed, please register your vote. Aye. It's unanimous. Okay.

**ITEM 34 – FISCAL YEAR 2014/15 ANNUAL FINANCIAL AUDIT**

[Time: 00:58:48]

Mayor Lane: Well, then we are ready then to move on to our next item, which is the fiscal year 2014/15 annual financial audit and we have our city auditor Sharron Walker here to present.

City Auditor Sharron Walker: Mayor, members of council, your agenda materials included about 450 pages of financial statements and auditors reports, and I'm going to keep it brief like everyone else did. I won't go over all of that. The city treasurer's accounting staff actually prepared the financial reports which are about 380 pages of all of those attachments. And Mr. Nichols has previously summarized the city's financial results for the fiscal year. So what I will focus on are just the audit reports that have been submitted by Heinfeld and Meech.

So first a little bit of background, which I'm sure the council is familiar with, but for the public, the city charter requires the council to designate CPAs to perform the independent audit. The council assigned the responsibility for coordination and monitoring of that contract to the city auditor. And then the audit committee represents the council in receiving that audit, and at its November 16<sup>th</sup> meeting, they voted unanimously, the audit committee members voted unanimously to recommend that the council accept the fiscal year 2014/15 audit report.

So what I will do is briefly summarize those financial audit reports. The scope of the audit includes the city and its seven component units which are listed on the slide, the five CFDs and the municipal property corporation and the Scottsdale preserve authority. And there are two types of the properties, basically, that the CPA firm reports on. They provide audit results for the audit of the financial statement and they also report on financial-related internal control and compliance.

So first, on this slide, what I summarized is the results for the financial reports. The city's CAFR and the financial reports contain the unmodified or what's commonly referred to as a clean opinion, which means that the financial reports fairly present the city's financial results. Within the auditor's opinion on the city's CAFR, there's a change of accounting principle paragraph which is simply explaining that this year there's a difference from last year's presentation because of the city implementing the new pension fund and the financial accounting standards. It's just an explanatory-type paragraph.

So before I talk about the second type of report, the internal control and compliance reports, I did want to briefly mention the communication with governments letters that the CPA firm is required by auditing standards to provide. This communication is required to make sure that the governing

board is aware of significant accounting practices, any audit adjustments, any disagreements that the auditors may have had with management, matters of those types. And there were no issues contained in any of those communications with government. The -- other than just noting the pension accounting change which was because of the change in standards.

So the second type of reports that are required include financial compliance reports that the city has to have audited, or the audit reports that the city has to have because we receive federal and state funding. First, any government that receives more than \$500,000 in federal funds has to submit what is called a single audit. And as you can see on the slide, the city's federal funding was almost \$13 million, with housing and urban development providing the majority of that and that's been consistent for many years, the H.U.D. funding being the largest portion. The single audit report package includes two auditors reports on internal controls and compliance, one for the financial audit, and one for the federal funding audit. There's also the auditors' opinion on the schedule of the city -- the city's schedule of the federal funds expended and, again, that was a clean opinion. There were no findings reported for the current 2014/15 audit, and the auditor also noted that the prior audit findings have been corrected. So similarly, the state also wants some assurance about the local government's uses of the highway transportation related funding and the auditor reported that the city did comply with those requirements. There are two other requirements one federal and one state that are completed later, usually in January, maybe February.

So that summarizes the financial audit results and, again, Mr. Nichols and his staff are the ones who are responsible for the accounting records and the preparation of the financial reports. I'm responsible for the audit contract and Kyla Anderson of my staff is the one who monitors the day-to-day activities and we would be happy to answer any questions you may have, and while we see if there are any questions, I will go ahead to the slide which summarizes what the requested action is.

[Time: 01:04:52]

Mayor Lane: Very good. Thanks, Ms. Walker. We have a couple of comments or questions, starting with Councilwoman Klapp.

Councilwoman Klapp: I would like to make a motion to accept the 2014/15 annual financial audit report as submitted.

Councilmember Korte: Second.

Mayor Lane: The motion has been made and seconded.

I do have one question. That is on our -- and the additional requirements as far as the unfunded liability as associated with our pension plan. It's now added to our balance sheet as a liability. What is the -- is there any additional footnote disclosures that are required on the basis of the updated standards?

City Auditor Sharron Walker: There actually are some pretty extensive additional disclosures that are

in the financial statements and, of course, I didn't bring my page references with me. But in the front part of the financial report and the introductory area were the management discussion and analysis and you remember that was on page 32 where it briefly summarizes the information, but then back in the notes, it starts at about page 67 and there are like 25 or 26 pages of notes on the various pension plans and all of the disclosures that is required by the new standard.

Mayor Lane: And you are saying that's a significant increase over the footnote disclosure that's previously been required?

City Auditor Sharron Walker: Yes, that's my take on it and Jeff, feel free to comment if you see it any other way and that it has added a number of pages to the CAFR.

City Treasurer Jeff Nichols: She said to comment if I see it any differently, but I don't. It was a lot of pages added.

Mayor Lane: Was there a breakout of not only the city's portion, but is there a breakout of the various pension plan funds and the individual liabilities in the footnote?

City Auditor Sharron Walker: The footnotes do describe each the plans separately. And then the public safety personnel retire system for fire and police separately. There is quite a bit of detail for each one of those, the funding, the liabilities and then the net, whether it's an asset or a liability.

Mayor Lane: But part of the standard, there's no indication of what explanation we might have to offer, as to how we resolve these issues or how we might address it.

City Auditor Sharron Walker: I think that's a political debate that's going on around the country currently as to how to address the unfunded pension liability that exists in many municipality state governments, county governments. So in terms of how to address it, the accounting and the financial reporting standard doesn't have that answered. The government accounting standards board just wants the information available to any users the financial statement.

Mayor Lane: Understand. I understand too that it is a significant political topic right now, but I -- I'm just looking at what additional liability -- this additional liability puts on our operations, our ability to borrow, our capacity, any of that. Is there any significant change in what this liability and -- and when I say how do we address it, do we have to consider how do we pay for it? How do we find the funding for it?

City Auditor Sharron Walker: From the financial reporting standpoint, the government accounting standards board doesn't address that. And it's just once the information is available, what the public discussion is that's generated from that. So the standard requirement to be on the balance sheet doesn't change anything about the legal requirements for what the city has to fund.

Mayor Lane: Well, then I will ask the treasurer this. Is there something that we as a standpoint of our assets and liabilities and our structure, and our obligations, is there anything that we need to be

considering? Is there any downside? What was the amount? 270?

City Treasurer Jeff Nichols: Mr. Mayor, approximately, \$270 million.

Mayor Lane: Okay. Is there was anything that we need to attend to, with these disclosures? Obviously, we are there, and we know about them and now is there something that we need to consider as a city, for ourselves?

City Treasurer Jeff Nichols: Mr. Mayor, I think as a city ourselves, we are limited in how we can react to these. I mean, they are managed by different entities. There are certainly steps we can take to reduce these liabilities, but they are actuarial liabilities and they will fluctuate from year to year I would also like to point out that it was not on the face of the balance sheet in the previous year, the fact that that liability still existed. It was just not reported on the face of the balance sheet.

Mayor Lane: And if I'm not mistaken, it's increased from previous years.

City Treasurer Jeff Nichols: It has increased, I think, but it's on an upward trajectory, as far as the investments of the portfolios of the different funds. So it may -- again, it's an actuarial determination. So it takes into account a number of years. It may continue to go down a little bit, especially as it relates to the public safety retirement system, ASRS is on an upward trend and that's one of our largest funds.

Mayor Lane: Mr. Nichols, have we employed any of the suggestions that the state league of cities and towns and their committee have put out there as their yardstick?

City Treasurer Jeff Nichols: Mr. Mayor and members of the council, we have not employed any of those suggestions at this point in time, no.

Mayor Lane: All right. Thank you. I think we have a second on the table. Thank you for answering those questions. I think we are then ready to vote on that motion. So all of those in favor, please indicate with aye. Those opposed with a nay. Thank you again. The motion passes.

### **ITEM 35 – COMPREHENSIVE FINANCIAL POLICIES AND GOVERNING GUIDANCE**

[Time: 01:11:28]

Mayor Lane: The next item is 35, and that's the comprehensive financial policies and governing guidance. And this is a request to adopt resolution 10299 relating to comprehensive financial policies and governing guidance as the formal guidelines for the city of Scottsdale's fiscal year 2016/17 financial planning and management. Mr. Nichols.

City Treasurer Jeff Nichols: Mr. Mayor, members of the council, in keeping with the tone of the night, I will try and be as brief as possible. If I could have the presentation. Thank you.

A little bit of background. These financial policies were first adopted in '94/95. They were adopted, they promote sound financial planning and management of public funds. They have assist in making fiscal policies and governing guidance and relate to the AAA bond rating. We have five separate areas of financial policies, operating, capital, debt, and reserve management. And then also on financial reporting.

The notable changes, I would call them proposed, I guess they are notable somewhat for fiscal year '16/17, we have a new operating management policy, which I won't read it word for word. It relates to the decision that council made on creating a pay plan for sworn police officers, the 5% to the max. We were directed by council to draft a financial policy directing the city manager to budget funds for police officers salary increases by a certain percentage. That's all we are doing is requesting that to be put into policy so the city manager understands the direction that council is given. We have a capital management policy number 24, again, quite a lengthy policy as you can see there.

The areas that have been modified are underlined and outlined in yellow. The rationale for the change in that policy is just to better define capital improvement projects, what they are and not how we treat them, but just what they are.

A new capital management policy, future operating maintenance and capital costs associated with contractual obligations, and the five-year financial plan and the capital improvement plan. You see the rationale at the bottom. This is in relation to contracts that council has already approved, and it requires staff to budget for the items within the contract. It was just a piece that was missing from our financial policies that became apparent when we were talking about certain capital improvements requested by a third party.

If many reporting policy number 47, accounting methods will include essential policies procedures and internal controls to monitor general ledger activity on an ongoing basis and this was just to provide clarity on internal controls, and with that, again, slight modifications, nothing very significant that I think council wasn't already aware of.

We are asking that you adopt resolution number 10299, the comprehensive financial policies and governing guidance which will serve as the formal guidelines for the city's '16/17 financial planning and management. With that, Mr. Mayor, I would be happy to take any questions.

[Time: 01:15:16]

Mayor Lane: Thank you, Mr. Nichols. I just -- in what I have on my iPad here, with regard to financial policy reporting number 48, was there any change in that?

City Treasurer Jeff Nichols: Yes Mr. Mayor, there was. 48?

Mayor Lane: Yes, this would be --

City Treasurer Jeff Nichols: I believe that that was the one that was pulled. Staff pulled that.

Mayor Lane: Okay. I just noticed that here. I had heard that. Okay. So we are to the -- so we do have the staff recommendation. So Councilwoman Littlefield?

[Time: 01:15:57]

Councilwoman Littlefield: Thank you. I have a question on policy number 24. I find that the wording on the top part, capital improvement projects are defined typically as multiyear efforts which maybe include -- that's pretty weakening and I would like to have this as it was, defined as purchases of construction or infrastructure.

And I also have a question why you pulled the word depreciable. You have more than 25,000 and having a useful depreciable life, a useful life. Are you adding land in there since land is not a depreciable asset?

City Treasurer Jeff Nichols: Land is not. Mr. Mayor and members of council, land is not a depreciable asset.

Councilwoman Littlefield: So is that the reason you are pulling that word depreciable to make land a part of this policy?

City Treasurer Jeff Nichols: We thought it was redundant, as well as to make land part of the policy, but it was redundant, the useful life is normally equated to the depreciable life.

Councilwoman Littlefield: Well, it does add that other category of asset and that's why I was wanting to know if that's why you were putting that in there. As a part of your capital management policy. And also, I would not put the define typically as -- it may include -- I think you need some stronger words in there. That to me weakens the policy. Thank you.

City Treasurer Jeff Nichols: Mr. Mayor, members of the council, Councilwoman Littlefield, as I recall our discussion, not all capital projects will include all of those efforts. And so it may just be a purchase and its capital in nature. We may not be building anything. It may be one year. It may be multiple years if we are building a fire station. So we did want to broaden or in your words loosen the language up a little bit to take into being all the different things done within the capital improvement process.

Councilwoman Littlefield: Okay. Thank you.

[Time: 01:18:05]

Mayor Lane: Thank you, Councilwoman. If I might, if I -- certainly in consideration of what Councilwoman Littlefield just mentioned and that is I too think that you've got a little bit of a problem and I'm not sure that the answer as typically as multiyear efforts and then you mentioned the fact that a capital improvement project may -- may be multiyear, may not be, isn't that a matter of what you

produce, not necessarily how long it takes to produce it? And when I say that, when we build a building and it takes a year it's still a 30-year asset or something.

City Treasurer Jeff Nichols: Yes, that's correct. We are just talking about the delivery of project when we are talking about that, a multiyear effort. It may be the project, you know, we purchased land one year and then we do a design build, and it takes two years to get that accomplished. It may just be the procurement of land which can happen in one single fiscal year.

Mayor Lane: Okay. All right. Thanks. Vice Mayor Smith.

[Time: 01:19:11]

Vice Mayor Smith: Thank you, Mayor. I guess sticking with this same one. I don't particularly have a problem with the language, but I'm not sure what putting the words typically and multiyear adds to anything. I think it was equally valid before, but I do have a question. This seems to imply that the only thing that's going to be a capital asset is something that you are sort of buying brand new and throwing in as a new capital asset, and in the private sector, you can capitalize an expense or capitalize an expenditure if it extends the useful life of an asset. Is that not true in governmental accounting? Help me understand if it's not.

City Treasurer Jeff Nichols: Mr. Mayor, members of council, Vice Mayor Smith that is true in governmental accounting as well. I mean, if we make significant improvements, let's say to a roadway, that extends its useful life, we would add that. We would add that, though, as a separate asset. We wouldn't add it to the existing asset. It would be a new standalone asset that we would give the cost of, and we would depreciate it over a number of years going forward.

Vice Mayor Smith: I had your job for a few years. I no idea that that's what we did. Thank you.

City Treasurer Jeff Nichols: You're welcome.

Mayor Lane: Thank you, Mr. Nichols. I see no further questions on. This we will move to the requested -- the request for the resolution, and you had that up on the screen and you still do. So I would ask if there's a motion to adopt resolution, number 10299, the comprehensive financial policies and governing guidance which will serve as a formal guidelines for the city's 2016/17 if many planning and management.

Councilmember Korte: So moved.

Councilwoman Milhaven: Second.

Mayor Lane: No further comments indicated. All of those in favor by aye. Register your vote aye. And opposed with a nay. It's unanimous. Again, thank you, Mr. Nichols. I appreciate the presentation.

City Treasurer Jeff Nichols: You are welcome, Mr. Mayor.

**ITEM 36 – MONTHLY FINANCIAL UPDATE**

[Time: 01:21:22]

Mayor Lane: It looks like you are standing in place for a reason, the monthly financial update. Mr. Nichols you are at hand to give that presentation next.

City Treasurer Jeff Nichols: Mr. Mayor, members of council, the monthly financial update as of October 31<sup>st</sup>, 2015, as always, we start off general fund operating sources, I will forgo talking about the sales tax right now, which you see a favorable variance of 1.6 million or 5%. Going further down the line, some of the significant percentage variances I would just like to point out under property taxes you see a 19% favorable variance that's just strictly a timing issue. We don't -- we believe at the end of the year, we will be exactly where we had budgeted or very, very close to that. Two-thirds of the way down the page, you look at the line item, miscellaneous, 50% variance, \$2.1 million, almost nearly 50% of the total \$4.7 million variance, and the reason for that, the material reason for that was the sale of the old graphics building that we recently completed, and we have the funding and it was budgeted in a future month. So, again that's just a timing issue at this point in time, but it's significant enough to point out.

Interest earnings I would like to point out because we are seeing and hopefully will see the fed take action this month, to bump up the rates, perhaps as much as 25 basis points. It would be nice for all of those people on fixed incomes but it would also be nice for entities with large amounts of money to invest.

And what you are seeing here is we have started actively investing more of the money that we had in the city's savings being. We have it with a professional finance management group, the group that manages our funds. We have about \$40 million, and the difference also from budget to actual is they are currently earning approximately 87 basis points on our portfolio that they manage, and we had budgeted 83 basis points. And although it's just, you know, four basis points difference, it does make a difference over time.

The other thing is locally, there's a bank we deal with and we have a program called CDARs. It's basically certificates of deposits that they go out and it's totally insured, very safe investment, and we recently rolled over that program. I believe it was approximately \$20 million and we are earning 52 basis points on that, versus 38 basis points that we earned in the previous period of time.

Getting to the sales tax, the 1% sales tax issue, as you see small retail stores, a total bottom right-hand corner about \$1.6 million posited variance, small retail stores, we are seeing increased sales in home furnishings, building supplies and computer hardware and software. Also miscellaneous goods and services. We are seeing increased sales, taxable sales from computer hardware and software wholesalers.

If you go a little further down the page, almost three-quarters. Way on the business category in construction, you see a \$400,000 positive variance, almost 13%, and the majority of that is several one-time large audit payments. It's our audit staff going out and auditing firms and getting some payments from them. It's just miscalculations if you will.

You look under the business category under rental, a positive variance of 4%. That really related to and I reported last month, the sale of an apartment complex in the southern part of the city that was done and it triggered, again, a payment. We put it in the rental category because they are apartments that could have just as well been put in maybe licenses, penalties and interest. It was just a coding issue for us.

You look at the month over month, you see we are 7.6% favorable to the 2.5% forecast. What I would like to point out, you see several of the bars if fiscal year above that 2.5% forecast line. We are currently running a favorable variance of about 5%, and this general fund sales tax category of 1%, almost \$1.6 million favorable. And that showed up in the previous slide. So doing much better than we had forecast for the fiscal year.

Getting to our general fund operating uses by category, the first and only negative variance you see there on overtime, I will explain a little bit later but it relates to the fire department, and the overtime and the fire department, but overall, the bottom right-hand corner, \$1.3 million favorable variance. I would like to point out the vast majority of that is contractual commodities and capital outlay. Administrative services has some timing issues related to contracts that they haven't made payments yet. They are budgeted. They will go away. The police department also has a favorable variance in our jail service contract. It's continuing to trend lower but in talking with the police department staff, they assure us that by the end of the fiscal year, those savings will not be there. So business may be picking up during the seasons. Also our regional wireless cooperative contract for radios, it was budgeted in October but it will be paid in November. So strictly a timing issue.

I'm sorry, I skipped one slide. Public safety fire, again, there's several drivers of this. The largest driver in the fire department right now is the constant staffing model that they use that's really driving this. We have several employees that are, as they put it on a modified assignment, if you will, either light duty, or away from being able to go on a fire truck and they have to fill those seats and that's driving that over time. It's something that we are communicating with the fire department about. We believe we took action last year, and that this wouldn't be an issue, but it is -- it is one and we're in constant communication with them about how do we resolve this issue.

So overall, the summary results, resources a \$4.5 million favorable. The use is about \$3.1 million favorable variance. You see during the '15/16 budget process, we were forecasting a \$16.6 million negative reduction in the fund balance. That has now been reduced to just one half of a million dollars. And with that, I would take any questions you may have.

Mayor Lane: Thank you, Mr. Nichols for the presentation. And right at the moment, it looks like we have no additional questions for you. Thank you very much. Do we have to --

City Treasurer Jeff Nichols: Thank you.

Mayor Lane: There's no action on this. So that completes our regular agenda items. We have no citizen petitions. We do have one public comment card, and I'm not -- yes, that precedes that. So we have a request to speak Randall Young.

**PUBLIC COMMENT**

[Time: 01:29:34]

Randall Young: Hi, my name is Randall Young, and I'm the owner of Curly Grocery, in Missouri. My grandmother that left me, my grandmother passed away three and a half, four months ago. The agenda was -- it had to catch me on video, video and red handed to get -- they had to catch me red handed and they had to get a conviction due to my record, which would take my freedom, and I would die in prison, basically, you know? It was a \$1 million for my life, you know? Whoever catches me would get \$1 million, you know? The person that catches me and sets me up, that officer will get 1 -- a piece of the \$1 million and the chief of police would get the rest. It's been going on for the past 18 months and it's still going on to this day. And the downfall to this was they put me on the news and said something bad about me. I have no idea because I have been dodging these setups, as everybody is trying to set me up and lock me up for. I got stressed out and I'm dealing with these guys by -- they are hacking into my computer. I went to a different computer places like the law library down in Phoenix and you went to the state capital library and they hacked into both of those computers on other places. I have try to contact the family members in east St. Louis to let them know what's going on in my life. They wouldn't want me locked up for the land that my grandmother left me, you know what I'm saying. My life is still in danger. I had to swallow my pride and basically, I finally got in contact with my father who works for the military and I just let him -- you know, he's in charge of it right now, basically. And I still fear for my life and they turned a lot of friends against me. You know, basically have them try to do harm to me. You know, talk -- basically agitate me. So if I hit them first, then an automatic life sentence for me because of my record, and set drug traps for me. I never fell for none of those. I got started of dealing with it and I gave it over to my father. That works. And right now he's in control for it -- control of it, and up contact him anyway. If you have any questions about the next steps.

Mayor Lane: Well, thank you Mr. Young. This is public comment. So there's no official action we take on these -- within this comment period, but --

Randall Young: Okay.

Mayor Lane: But it's a matter of record.

Randall Young: I was just letting you know.

**MAYOR AND COUNCIL ITEMS**

[Time: 01:32:57]

Mayor Lane: So with that, and that's the one and only public comment we have this evening. There are no petitions. We have come to the mayor and the council items.

If I may be so bold, I would like to have a mayor's item that I would like to put on the table and it's regarding some of the issues that we have in downtown with regard to parking. And as all of us are aware, downtown has suffered a problem borne of its own success and at the merchants and employers big and small are experiencing a big parking struggle. And most recently, I know that the transportation staff has had a study conducted hasn't that study does not necessarily offer specific recommendations to alleviate the problem.

So I would like to make a motion that we direct the city manager and agendize some analysis of the downtown parking issue and with some potentially viable solutions for our consideration so that the downtown can continue to thrive. It's an issue that's been around and around for a few times and coming out of my office and I'm sure for most of the council office. We have been addressing the issue to the merchants in downtown with the idea that this study that we contracted for would be in a position to provide us with something to consider in the way of overall solutions to that issue.

And it just happens -- I don't happen to have it here, but nevertheless, in trying to review even what the scope of the work was for the contract, it would seem like it was more definitively aimed at getting some specific remedies or at least suggested remedies. The thing that they provided to the best of my knowledge, I have yet to see the report in its entirety. But nevertheless, what it provided was some best practices. Not necessarily something that frames around what we do here in Scottsdale.

So my suggestion is, as I indicated, I would ask for a motion that we direct the city manager to agendize some analysis of maybe the substantive material, the data that was provided within that report, but then also with our own staff and ability to bring amount some potential options, how this might be addressed. So I would ask for that motion or I could make that motion. I will ask for a second on it, but I would make that motion then.

Councilmember Korte: Second.

Mayor Lane: The motion has been made and seconded then. Councilman Phillips?

[off microphone comment ]

Mayor Lane: Okay. All right. I guess we're ready to vote on that particular issue. Those in favor aye, and those opposed nay. That's unanimous. I hope that that was clear Mr. Biesemeyer, so we can proceed with that. Okay.

Acting City Manager Brian Biesemeyer: We're clear.

[Time: 01:36:02]

Mayor Lane: Councilman Phillips.

Councilman Phillips: Thank you, mayor. Yeah, along the same lines I would like to also make a motion to direct staff to agendize a discussion sometime in the near future on our city's 1%, on the public art allocation and how we allocate that and the discussion on, you know, possibly maybe removing or changing some of those things.

Mayor Lane: I'm sorry. There's some question down here. We couldn't hear that, if you wouldn't mind councilman repeating that?

Councilman Phillips: Okay, move to direct staff to agendize a discussion sometime in the near future on the city's 1% public art allocation. And the 11 different areas it can go to.

Vice Mayor Smith: Is that for the special improvements district or special improvements commitment and add those words special improvements commitment.

Councilman Phillips: I'm adding the words special improvements commitment.

Vice Mayor Smith: And I would second that.

Mayor Lane: I think we have two seconds. We are going for a third. But in any case, the motion has been made and seconded. Any further comment on that? Then if not, then I think we are then ready to vote on that particular item. So those in favor, please indicate by aye and those opposed with a nay. Aye. Yeah, the motion passes 5-2 with Councilwoman Milhaven and Councilmember Korte opposing.

## **ADJOURNMENT**

[Time: 01:37:34]

Mayor Lane: So two items from -- council items. And I think that pretty much concludes it unless there are any further items from the councilmembers here. Seeing none, I would ask for a motion to adjourn.

Councilwoman Littlefield: So moved.

Councilmembers: Second.

Mayor Lane: Moved and seconded. We are adjourned.