
This document was created from the closed caption transcript of the February 21, 2017 5:00 P.M. 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/ScottsdaleAZ/Council/current-agendas-minutes/2017-agendas/022117RegularAgenda.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/scottsdale-video-network/council-video-archives/2017-archives>

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: 00:00:03]

Mayor Lane: I think we can go ahead and get started because we are running a little bit late as it is. So maybe if he hears my voice, he will come this direction. In any case, it's February 21st, 2017, this is our 5:00 regular meeting. It's a little after 5:00. Actually it's more than a little after 5:00. It's about 5:30 and I would like to call this meeting to order and start with a roll call, please.

ROLL CALL

[Time: 00:00:28]

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

City Clerk Carolyn Jagger: Vice Mayor Suzanne Klapp.

Vice Mayor Klapp: Here.

City Clerk Carolyn Jagger: Councilmembers Virginia Korte.

Councilmember Korte: Here.

City Clerk Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Present (appearing telephonically).

City Clerk Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

City Clerk Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

City Clerk Carolyn Jagger: David Smith.

Councilman Smith: Present.

Carolyn Jagger: City Manager Jim Thompson.

City Manager Jim Thompson: Here.

City Clerk Carolyn Jagger: City Attorney Bruce Washburn.

City Attorney Bruce Washburn: Here.

City Clerk Carolyn Jagger: City Treasurer Jeff Nichols.

City Treasurer Jeff Nichols: Here.

Carolyn Jagger: City Auditor Sharron Walker.

City Auditor Sharron Walker: Here.

City Clerk Carolyn Jagger: And the Clerk is present.

Mayor Lane: Thank you. A couple of items of business. We do have cards for speaking. Those are the white cards that the city clerk is about to raise over her head over here to my right. And for any of the items and for public comment and we do have some yellow cards for written comments for any of the agenda items would you like for us to read during the course of the proceedings.

We have Scottsdale police officers Jason Glenn and Anthony Wells here to assist in any way that they are needed and the areas behind the council dais are for staff and council access only. There are rest

rooms under my left under that exit sign for your convenience.

PLEDGE OF ALLEGIANCE

[Time: 00:01:46]

Mayor Lane: Today we have the pleasure of having the Scottsdale Bobcats led by Neil Holloman for the Pledge of Allegiance. Gentlemen, if you would, please rise. And join them in the pledge.

Scottsdale Bobcats: 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: Very good. If you would like, turn that microphone around, and you have already got it there. And let us know who you are.

Miles: I go to Chaparral High School. My name is miles and I -- I like to go to desert.

Jimmy: My name is Jimmy Garcia. Especially the Bobcats and we do fun stuff here and thanks so much.

Rona: Hi, I'm Rona. I go to Baja middle school. And I do ELA, and I play video games at my house. And that's it.

Kaley: Kaley Kincaid. And I want the school to be better. Desert Mountain, I hope you guys can make that happen. And I have a dog, Frankie.

Nathan: My name is Nathan, I go to Coronado High School.

Mayor Lane: Very good. Thank you very much. Thank you for being here with us.

INVOCATION

[Time: 00:04:20]

Mayor Lane: Right now, the presence and we have Chaplain Yule, a fire chaplain, here for our invocation this evening.

Fire Chaplain Yule: Thank you, Mayor. As you have said, I proudly serve as the chaplain for the Scottsdale fire department, as well as the pastor for Highlands Church in north Scottsdale. I would invite you to join me as we pray tonight. Lord God, we do give you thanks for every good thing from your hand and we do have so much to be thankful for. God, we thank you for just the surrounding beauty that you have created, the mountains and the deserts and the parks and everything that's of beauty that we see before us. Father, we give you thanks for the people that you have brought, for the weather, and father, for not only the visitors but those who are proud to call Scottsdale our home.

God, we give you thanks for that special gift of your people.

Father with great blessing comes great responsibility. So Father we ask you to pour out your blessing on the men and women who have voluntarily served and serving as our leaders. Father, I would ask you to give them special skill in their leadership tonight. Father, we would ask that you preserve their character, that you would be able to allow them to serve with honesty, and with integrity, and with tolerance and respect for all. Father, we would ask that you would give them wisdom and understanding. Help them hear. Help them to be able to speak with courtesy and so many complex issues that need the wisest of decisions.

We give you thanks for every good thing from your hand. I give you thanks for a country that still respects and invites your insight and guidance and that would even ask for prayer for tonight. And Father, I personally thank you for the freedom that this country gives me to pray in the name of my savior and lord Jesus Christ. So, Father, for everything again from your good hand we give you thanks and we ask that you would be able to put your hand of blessing on tonight's meeting. God for all of this, we give you thanks. Amen.

Mayor Lane: Amen. Thank you, chaplain.

MAYOR'S REPORT

[Time: 00:06:54]

Mayor Lane: Well, a couple of items we have got really here. We have got, oh, congratulations to our 40 under 40 award winner, Danielle Casey. She's our economic development director for the city of Scottsdale. She has been selected as a winner in the economic development professions 40 under 40 awards. The only award of its kind recognizing young talent in the economic development profession. A committee evaluated and chose the winners and I can't hardly believe that they would have picked anyone else based on their exceptional contributions to economic development industry. We want to congratulate Danielle and I believe she is here with us. Danielle, if you could stand. Give her a hand.

PRESENTATIONS

[Time: 00:07:45]

Mayor Lane: We also have a presentation and information updates from our 2017 Scottsdale Charros. It's an update. Their executive director Dennis Robbins and we've got some handouts here.

Charros Executive Director Dennis Robbins: Good evening there Mayor, Vice Mayor and Council. With me tonight is David Westra who just handed out our slide presentation. He's our current Patrone, our president of the Charros.

So we're on the eve of spring training baseball in Scottsdale. Our first game starts this Friday. There are 18 games. So we invite everyone to come out to the ballpark. We are here today to give you an update on the Scottsdale Charros and how we fit into spring training and what we do in the community and we are here to say thank you for the partnership between the Charros and the city and the Giants.

Who are the Scottsdale Charros? We were formed in 1961. So we have a 56 year commitment to Scottsdale. Our mission is to promote the city of Scottsdale through sports and cultural activities.

And what that really means is that we are focused on providing funding on sports and local charities and we do this through a variety of different things in the community. Primarily we host spring training baseball along with the city of Scottsdale, of course. We provide leadership and support for education initiatives in the city. 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 and yes, we did dress alike. We didn't call each other this morning, but this is the Charro dress uniform in case you were wondering. So spring training.

Charros President David Westra: Dennis and I actually prefer wearing our cowboy gear on the Charro ride but let's talk spring training. As Dennis mentioned we are a couple of weeks away from the beginning of the San Francisco Giants spring training, literally about two blocks from here. The Scottsdale Charros have been hosting, along with Scottsdale, since 1965. A lot of people don't know that.

The San Francisco Giants are not the only team that has been here. We have had five major league teams play here, the Red Sox, the Cubs, A's and Giants. It was built in 1982 by an approved bond vote. This is citywide, unfortunately not Scottsdale. But spring training has an economic impact of \$540 million per year. The Super Bowl a couple of years ago was \$500 million, just to give us some perspective.

Some other interesting statistics on spring training. So more than 200,000 people will attend a game at Scottsdale stadium, over half of those are out-of-town visitors which is nice. Close to 10,000 guests will attend the game in the Charro lodge. If you have never been there, I highly encourage you to do so. We will produce and sell over 9,000 spring training programs. And a unique thing we started a couple of years ago is a 50/50 raffle where we split the money between the Charro foundation. Last year that raised over \$40,000 that was able to go directly back into our community.

Finally, two things here, we recently hosted a youth luncheon. Each of the 30 Scottsdale public schools bring 10 kids or young adults to the stadium for a really fun interactive event and that was a couple of weeks ago and then if you come out and see the Charro lodge this year, we have an amazing shade structure. We finally have shade in Scottsdale stadium.

Charros Executive Director Dennis Robbins: Okay. So one of the things that we are proud of is western heritage. We are the west's most western town. We rode in the Parada last weekend and we had over 50 riders. I should have gone back to look how long we have done that. We support a

lot of horse charities where people are enriched through their interaction with horses and that's an important part of what we do.

And the other big thing is the Charro ride. Back in 1962, a group of Charros, they went on a trail ride, a four-day trail ride up into the McDowell Mountains starting from what is now Scottsdale Country Club. And it's to promote the camaraderie, the western heritage and being the west's most western town. And we thought that was a good idea and we have been doing that for 55 straight years. Last year in 2016, we had 80 Charros and 82 guests.

So on to one of the areas that we're not as well known for, but we have been working very hard on and we're expanding this tremendously, and that is education. So we provide a number of different scholarships. I'm going to run through them really quickly. I think it's super important from primarily spring training baseball; it goes back through, charitable donations and educational programs.

So one of the longest running scholarships that we do is the future teacher scholarship. We have eight kids that are in college and they have committed to become teachers and we are funding their education through this scholarship. We have two freshmen, two sophomore and two juniors and two seniors and we are just getting ready to add two people for next year. So the supply of teachers is short in Arizona and this is one of the ways we can give back and try to promote the profession.

Another thing we give a scholarship for is masters in education. So keeping good teachers engaged and so we have eight teachers right now that we are paying for their master's degree and that keeps them in Scottsdale and keeps them engaged and is better for our kids, obviously. We have one full ride scholarship to Scottsdale community college, two-year scholarship, probably the best value and the education that there is and then we have an endowment where it funds another scholarship every year.

There's a little known thing as the all city athletics. So three times a year, there's a dinner where the fall sports are recognized and the winter sports and then the spring sports, the high school students and they bring the kids together from Scottsdale and we give two scholarships, one to a female and one to a male at three of those events a year.

The next thing is the Iteachaz scholarships. These are for A.S.U. education majors, who student teach in Scottsdale. So the kids has to do a full year of student teaching before they go out and be a full-time teacher. So we pay for a scholarship for them to come back into Scottsdale be a student teacher and then it's kind of a yearlong interview process for the district for those kids.

We also do a national board certification scholarship. So there's a number of teachers that are nationally certified. They want to be a math -- in their discipline. So they are certified as a math teacher, an English teacher, a science teacher and we provide scholarships for them to go through and get taught in the specific disciplines. It's good for the districts and ultimately for the kids.

We also provide educational grants. Our schools compete for that. This year we are giving out two

\$10,000 grants, \$5,000 one and three \$2,500 ones. So those are things for -- that the school is funding for the schools -- or the district is not funding for the schools. Computer and furniture and things that are not normally funded through the process and we fund a lot of grants at the individual school levels.

Another thing that we have been doing for 30 years is an outstanding educator and student awards banquet. So we honor one teacher from every single school in Scottsdale. And ten high school students. And then we also honor the retiring teachers. So retiring teachers never get a going away party or anything like that. So we honor a teacher in every school. We honor the retiring teachers.

We give away all of these scholarships that I just mentioned and it's a really awesome event and this will be our 31st year there are year. So for all of our educational efforts we gave over \$300,000 just last year to education in Scottsdale.

Charros President David Westra: So in addition, Dennis mentioned that we also give a fair amount of money to local nonprofits. And I'm sorry we didn't have Special Olympics on here, but that is one of the groups. But some other monies that we give money to, miracle league of Arizona, Horsense, and the boys and girls club of greater Scottsdale.

Charros Executive Director Dennis Robbins: So back in 1987, there was a baseball strike. And so there was no spring training. There was no fund-raising, and therefore no donations to all of these educational initiatives and the charities that we give money to. Some very smart Charros, not David and I, but some other smart Charros said, if there's ever a time we need money and we don't have, it there's not spring training, whatever it is, that we can fund all the needs we have been funding. Their need doesn't go away just because we can't fund raise for that.

So we have set up the Charros foundation and a couple of really cool things about this is we have some -- we have four community members that sit on our board. And a couple of note, one is Kim Hartman who is our -- on the SUSD governing board. She helps us out tremendously with a lot of educational needs and Melinda Gulick with DMB. She helps us out on the foundation. So it's a really cool thing that we do. It helps to promote everything else that we do but it's little known or nobody else knows about it. So I just wanted to mention that.

Charros President David Westra: Something that we started this year, it's called CHAPS. And it stands for child assistance program sponsors and the whole point is to leverage or take advantage of the Arizona State tax credit and we have been able to donate more money. So far we have raised close to \$100,000 to this program, and we hope to double that before April 16th. So if any of have you not made your contribution, please do so.

Charros Executive Director Dennis Robbins: I think was supposed to talk about that slide, sorry. So Charros innovation, one of the things we pride ourselves on is trying to find solutions to tough problems. That's not only just as an organization, but also as members. Over the years we have been innovative as a group and also as individual members.

So one of the cool things is we have helped to start a lot of different groups and organizations in the city. We just finished doing a video, which I would like to show sometime about our involvement in the beginnings of Scottsdale community college, some of the early Charros funded money and place the college where it is and got it going and it's a really cool story. We also had Charros that helped to start the SUSD foundation and we started and funded buss and three of the four leaders to the Scottsdale leadership were Charros.

Charros President David Westra: If anyone has been reading the papers the last few weeks, there's some awesome articles, it's called the Coronado success initiative. Two of the young gentlemen also went to Coronado High School. We donate a substantial amount of money to Scottsdale homeowner unified and about six months ago, several of us, including Dennis and myself got together with A.S.U.'s Mary Lou Fulton School of teachers and the Scottsdale unified school district teachers and said are we giving the money to the right place. And Dr. Birdwell, said, we would like to improve Coronado and so the Scottsdale Charros have donated money to this initiative and participated in group meetings and we will help to push, SUSD to make Coronado a world-class high school.

Charros Executive Director Dennis Robbins: Because it's on your consent agenda tonight and that is we are fully in favor of renaming the Paiute Boys and Girls Club, the Scottsdale Boys and Girls Club Charros Branch. The boys and girls club has been the legacy partner and we have given probably over \$2 million over the years to boys and girls club. And so this is their way of thanking us for our support of them over the years, and so we're really thrilled to have our name on your building and with the blessing, we hope that happens and supportive of number 7 on the consent agenda. Thank you very much for listening to us. And we hope to see you out at the ball game.

Mayor Lane: Thank you Dennis and David and the Charros for all that you do for our community. Thank you so much. That completes our presentations. From the Charros or any others.

PUBLIC COMMENT

[Time: 00:21:27]

Mayor Lane: And our next order of business is of public comment. Public comment is reserved for citizens' comments regarding non-agendized items with no official council item taken on these items and this is limited to within the jurisdiction of the city council. The speakers are limited to three minutes each with a maximum of five speakers. There's another opportunity for public comment at the end of the comment.

I want to go on a little bit further because we had some confusion about this in the recent past. And public comment for our Scottsdale city council meetings really are a matter of decision as to whether we have public comment, whether we limit the time and whether we limit the number. But we're also subject to state law that does prohibit certain things. So I just wanted to make sure that we're aware of that, because our responsibility is to run an orderly meeting and to do the city's business. We absolutely cannot have a situation where we have campaigning for a campaign issue or a candidate or a political action committee. So that's -- that's been part of the confusion it seems.

But in any case, with that said, we do have five cards. So three minutes each and I will start with Pat Shaler.

[Time: 00:22:43]

Pat Shaler: Thank you, Mr. Mayor, members the Council. Did y'all read the article that A.S.U. put out this morning about what a great thing and partnership the Desert Discovery Center is going to be with them? Part of my frustration is the way they are going forward as if this is a done deal. The whole attitude and any of them I have spoken with, it's a done deal. It's sealed, you know, having you all vote on it is a mere formality. I want to keep this at the top of your conscious level.

As I recall, you received legal opinions from, I believe, Mr. Washburn and outside counsel that the DDC was something that you could construct under the terms of the city ordinance. Then we came forward and pointed out the language of the Preserve that we -- the city charter, that we believe mandates a vote of the citizens when you are going to remove any land from the Preserve. And in order to drive construction equipment over that land, it will no longer be Preserve land. So does it mean you have to move it somewhere or sell it, it -- if it's no longer Preserve land, it's been removed from the Preserve.

And then the response we received from the members of the DDC, is oh, well, that's not a problem. Because the volunteers approved this back in 2004, with a ballot initiative. The voters approved amenities. I want to bring this to your attention that we would read that as amenities that are defined by the ordinance. You know, the trail heads, the facilities, the comfort facilities, not a museum gift shop, classrooms, amphitheater, and everything else.

The other thing I want to bring up, that came out after I last spoke. Does thing just do its thing on its own. I brought this up last time, 2015, October. Christine Kovach asked for the RFP on the Jeep, how to run Jeep tours, as well as for the permits. Well, what she requested and what she received was the RFP from 2013. Now, why would DDCS -- this is prior it being called DDCS, want an example of RFPs and permits for Jeep tours two years after it was otherwise relevant, and at the inception of going forward with forming the DDCS? Also, nothing will keep four councilmembers from approving anything if you don't allow us to vote. Thank you.

[Time: 00:26:15]

Mayor Lane: Thank you, Ms. Shaler. I'm sorry. We neither clap, nor do we boo. We try to maintain order but thank you very much for the comments Ms. Shaler. Next is Jason Alexander.

Jason Alexander: Hello, my name is Jason Alexander. I'm one of the principals of the No DDC organization. Obviously this is a very controversial issue as of late. So I want to start my comments off on a positive note of collaboration. That's one of our favorite photos. Mr. Lane you look good in that and my daughter looks good too.

I want to talk about the C.I.P. fund, the capital fund. It's obviously been at the forefront of all of our conversations lately. You have recently formed a committee just to study that and Ms. Korte has made it one of her main themes of this term of her's. We all agree that there are about \$30 million in the capital fund and that city staff is recommending about \$80 million in construction. So that puts us in quite an interesting bind with the fund being somewhat under water.

It raises the question: Why would we be talking about the Desert Discovery Center in this context? When we got this looming list of projects that need to be completed, why would we even be considering a massive public works project? Well, our group believes that the answer is the plan all along is meant to fund this out of the preserve fund, not to fund it with a bond and not fund it out of the capital fund but to take from the preserve fund which is estimated to have between 100, and \$150 million surplus by the end of its lifetime.

Desert Discovery Center finally admitted that the Preserve fund surplus is a possible funding source. Mr. Washburn said you can build anything you want, and use any public funds or any Preserve funds to go ahead and do it. So in that context, we think that this is going to be a raid on the Preserve fund. And that's a strong term. But without a vote, there's really no other way to characterize it, except as a raid on the Preserve fund. Every indicator, every bit of evidence, everything that has come out of DDCS has indicated that this will be a massive project.

This list I have here which I don't expect you to read, but I hope visually it shows you some of the details and we'll circulate this on our blog and our Facebook page. This list here was from DDCS' September preliminary exhibit list. Now obviously the final plan is going to change. How can you be here in September, nearly 50% of the way through the planning process and suddenly say it will be small? This image from the Swaback team shows the Desert Discovery Center's current facility. Here's the current gateway. Again, everything shows this is going to be big. And when you line this image up with the list, it's inevitable that it will be a big project. Last but not least, DDCS is recently started circulating on their website that they have a partnership, championing their partnership with A.S.U. and in that, they talk about ten laboratories, Ms. Campana is quoted as saying ten labs. This is a memo from the A.S.U. point person, that what they want is a building. DDCS is will give them a building in exchange for their academic credibility. Thank you.

[Time: 00:30:17]

Mayor Lane: Thank you, Mr. Alexander. Next is -- I'm sorry, is it Joe Jusic?

Joe Geusic: My name is Joe Geusic, I'm a Gilbert resident. Mayor Lane, fellow city councilmembers, all Scottsdale staff, Scottsdale residents and guests of your community. As I said, my name is Joe Geusic and as I say to Governor Ducey, I'm your annoying American citizen. The life of a nation is secure only while the nation is honest, truthful and virtuous. The keywords are honest, honest, truthful and virtuous. I have taken a hard look at our education system for the past 40 years. I serve on Congressman Salmon's education committee. I almost invested almost 4,000 hours of studying this.

Why am I here to talk to you? Because education fundamentally is important to you. You don't just have voters. You have children. And you need to advocate for those. As you can see here in this document, in '86, the Title XV book was this thick. 20 years later it doubled in size. And nine years later, it doubled in size again. If you were to completely fund the code for 2014/15, it would take \$3.45 billion in investment in the k I have 12 educational system. We have four choices, do nothing, time to fund the structure, realign the structure to the budget or maybe a little bit of both. As I said in here, this includes the federal and the ESA voucher impact.

Mayor Lane: This is really not within the scope of what we can affect here in Scottsdale. Is there some direction that you are thinking that --

Joe Geusic: Absolutely. I will get there. I ask you as the leaders of your community advocate for the governor and your state elected officials, and its part of your economic impact. This is what I'm advocating for, that our state does a time cost study the entire k-12 education system, a 40-year cycle, factored allocation analysis report, and continued inflation spending tracking as they are doing and have our senate and the house caucus forum is not controlled by any one party. This is an opportunity to move it from the micro bill level and take it to the macro. I will finish just briefly.

Once again, it's about economic development. If you advocate there, you will grow your economy. For every one dollar that we invest, we will give it at least six and in other communities we will get a return on 15. So I thank you for your time and I appreciate. I understand your rules. Thank you for today.

[Time: 00:33:22]

Mayor Lane: Thank you, Mr. Geusic. Next is Betty Janik.

Betty Janik: Hello. My name is Betty Janik and I'm one of the members of the Protect our Preserve Corporation and I want to thank the Mayor and city council for allowing me to speak. This is the letter that sparked the claim of fake news towards protect our preserve and no DDC and I wanted to read the letter that is totally verified that was sent out no many of the DDC supporters and I think you will find it very accurate.

Dear DDC supporter, as you are a supporter of the Desert Discovery Center, we are personally writing you to present important concerns about its proposed location inside the city preserve. We are not against the DDC per se, but we have many reservations about locating the DDC in the preserve. The current location presents numerous barriers to the success of the DDC and goes against the intent of the preserve. A failed DDC will not only waste taxpayers' funds but an insolvent, that the Scottsdale residents will have to absorb into the future. First of all, Scottsdale residents must pay for and own the DDC. The preserve charter requires that the city has to own and run any enterprise in the preserve. Therefore, Scottsdale residents will also be responsible to pay for all costs to build the DDC and will absorb any yearly losses incurred by the Scottsdale. Uses the preserve funds to pay for the DDC which Jason referred to in his comments. The city does not have the money to build the DDC unless they use preserve funds which were intended for land acquisition, additional trails and trail

heads to increase public access. Furthermore, preserve funds cannot legally be used to cover planned DDC operational costs or losses. They will flow directly to the citizens of Scottsdale. If located in the preserve, the DDC will have to conform to the ordinance, designed to prevent it from being transformed into a park. Prohibited actions include the following, all of which are planned for the DDC. Concessions, night time operations, noise amplification, and consumption of liquor. These protected regulations will limit potential revenue sources necessary to keep it from incurring annual losses.

Degradation of current trail head experience, the proposed DDC location is the busiest trail head and I was over there yesterday and trust me, it is busy! Okay? The proposed complex will significantly degrade the preserve experience with unnecessary buildings, barriers, fencing, traffic lights and sound. Then this is really important. Competition with existing educational programs. The city's Preserve partner, McDowell mountain conservancy. They help to inform and educate users. We also have four interpretive trails each a different trail, three of them A.D.A. compatible, accessible to anyone.

Mayor Lane: Ms. Janik, you have run out of time. If you could wrap it up.

Betty Janik: What I wanted to say, the best thing we would hope for is that it would be located outside of the preserve so none of these rules would be violated or we would have any opposition to it. And if not, please bring it to a vote. Thank you very much.

Mayor Lane: Thank you, Ms. Janik. Next would be Mark Stuart.

[Time: 00:37:20]

Mark Stuart: I'm sorry. I'm a little slow today. After I was arrested and handcuffed, I had a stroke in city jail. Apparently. It's time for the bimonthly update. I'm Mark Stuart and I'm the guy in charge of organizing everything. I heard this talk about the DDC. It's dead. There will be no public funds expended until the volunteers decide this ballot initiative. It's inevitable that we will be on the ballot.

I want to share this word with you so you understand the definition. Certain to happen or unavoidable. What we find when we phone -- right now we have between 3,000 and 5,000 signatures and I have more than 50 names who volunteered and I can't even get back to them. I don't have time. So that's how well it's going.

Today I served a notice of claim on the city for the incidents that occurred two weeks ago. I wanted to share this with you because some of you guys apparently feel that the constitution doesn't apply here within the city council chamber. I want to share this little gem we have. This is the Mayor of Waukegan, Illinois, who didn't allow somebody to speak at public comment. It was open public comment. Just didn't allow it. He paid the guy \$100,000. Doesn't even have him arrested. That's what the judgment was. It's in my presentation that's attached to this. So I would suggest that every single one of you people on the city council go through this. Because you have liability as well, whether you are an active participant in the conspiracy or you are sort of head in the sand

participant. Mayor Lane, you will find this particularly amusing because if you read the case, at the court of appeals, this could be you and I. And so in the notes, I actually put my name in there and your name in there.

I want to leave you with this. This is what they said at the end of the case. No reasonable juror would ever think that it's reasonable to prevent someone from speaking in a public forum in the United States. So I understand that you don't believe that the constitution applies here, but it does. Last but not least, I suggest anybody in the public that's had problems with Mayor Lane or the city council infringing their civil rights go and look up the notice of claim and see the -- all kind of torts that are involved. And last but not least, I want to leave you with this. This was the most successful ballot initiative in the history of the world. Mahatma Gandhi was called the great soul. He got the British out of India and he overcame great resistance and people who had billions of times more money than they had.

So thank you for your time. I hope you will go through and read the written presentation because we all benefit from allowing people to freely exercise their constitutional rights.

Mayor Lane: Thank you, Mr. Stuart. Since you mentioned my name since we never do respond to this I would want you to say I appreciate you staying within the bounds and not soliciting volunteers for signatures and all of that as it relates to the campaign itself. I appreciate that. Thank you very much for that.

Mark Stuart: You're welcome to volunteer to select signatures if you would like. You are a U.S. citizen. You are over 18.

Mayor Lane: Well, you are now soliciting and that's for a campaign.

Mark Stuart: If any of you guys would like to --

Mayor Lane: Now, Mr. Stuart, you are not on the mic any more. So thank you very much. And I do appreciate your compliance. That completes our public comment for this -- at this time.

MINUTES

[Time: 00:42:27]

Mayor Lane: Our next item of business is the minutes and the to approve special meeting minutes of January 24th, 2017, and regular meeting minutes of January 24th, 2017, and work study session of January 31st, 2017.

Councilmember Phillips: So moved.

Vice Mayor Klapp: Second.

Mayor Lane: Moved and seconded. There's no further comments or questions. All of those in favor, please indicate with an aye.

Councilwoman Littlefield: Aye.

Mayor Lane: It's unanimous 7-0 for the acceptance of the minutes. Move on to the regular consent items 1 through 15a and we -- we have a request from Mr. Stuart to speak on item 14. And just for the record this is Fuciarelli vs. City of Scottsdale et al, legal fees and it's adopt resolution 10707, authorizing legal fees to be incurred in contract number 2015-035-COS and that case and action. Mr. Stuart.

[Time: 00:44:01]

Mark Stuart: This does not belong on the consent agenda. It looks like you are trying to hide incompetence that comes right out of the city attorney's office and works its way through the police department. How did you come to this decision? How much money have we spent on this case?

This is a case where a 25-year-old police officer tackled a 50-year-old dermatologist. And after he tackled him and went to his police car, he tried to find a law that the guy had broken. He's in deep, deep trouble. And when this gets before the jury, it's going to be a big problem for our city. And this is the kind of thing that needs to be discussed in public. It's -- it's shocking to me. And the same thing happened to me. I wanted to go home. The guy grabbed me from behind, handcuffed me, tore something in my shoulder. You can never explain that to a jury, because the default position is always to be calm and diffuse the situation. And if you are 25 years old and in great shape, you are never going to be able to explain why you had to tackle a 50-year-old dermatologist from behind who was standing on his own property, who had just told you he had no legal obligation to listen to you. So this is going to be a mess for the city.

I would like you guys to explain right now how you came to the decision to put this on consent agenda. How do you know that \$400,000 is money well spent? And I'm not talking about legal advice. This is what we pay you to do to be good stewards of the public purse and if we lose this, punitive damages are unlimited in Arizona. So the guy wouldn't take a \$5 million settlement. How much is he going to ask from the jury? And if he gets it, where are you going to get the money to pay for it? Is this avoidable? Mayor Lane, you are a big fan of siccing the please on people. Maybe you can explain this.

Mr. Phillips, you claim to uphold the first amendment and the U.S. constitution. How could this happen? How could a 25-year-old police officer tackle a 50-year-old police officer from behind on his own property after the dermatologist had locked out his tenant for not paying rent? More importantly what is going on in the city council that they done oversee it correctly? That's what we need to know. Joe Arpaio cost the county more than \$60 million because nobody on the board of supervisors said stop doing. This we need you to explain in public and without fear of implicating yourselves what is really going on. Mayor Lane, I hope you will have the courage to discuss this out front, right now. Thank you.

Mayor Lane: Thank you, Mr. Stuart. That's the only item on consent that was a request to speak on. No call for -- well, if there's any comments from the councilmembers on that item. Otherwise, I would accept the --

Councilmember Korte: Mayor? I move to accept consent agenda items 1 through 15a.

Vice Mayor Klapp: Second.

Mayor Lane: Motion has been made and seconded. Seeing there's no further request to speak on the item. Then we have the consent items 1 through 15a, and we are now ready to vote. All those in favor, please indicate by aye. Those opposed with a nay. Aye.

Councilmember Littlefield: Aye.

Mayor Lane: That completes our consent items. If you are here for any of the consent items, you are free to leave; otherwise you can stay for our regular items as well. And if you do decide to leave, please do so quietly so we can continue. Our regular agenda items are 16 through 19.

ITEM 16 – EMPLOYEE MEDICAL PLANS AND PREMIUMS

[Time: 00:47:55]

Mayor Lane: We start with item 16, employee medical plans and premiums. Lauran Beebe is here to discuss it with us.

Human Resources Manager Lauran Beebe: Good evening Mayor and members of Council, I'm Lauran Beebe. I will present the 2017/18 medical and dental plan. There were several initiatives that took place to increase employee education and communication and engagement. The total benefits advisory committee was created and includes the benefits wellness team. Each month, 30 to 40 employees attended the meetings and they included monthly plans and health risk assessment data and how rate renewals are calculated, surrounding city benefit comparisons pharmacy cost savings ideas and fiscal year '17 rate projections and plan design options. Managers took these back to their departments and brought it back for us to discuss.

The TBAC committee was very supportive of the option we are presenting tonight. After we discussed all of the options, we took TBAC's recommendation to the coordinating committee, which includes the city manager and we confirmed with them that their departments were hearing support for option number one. Through the aid of the office of communications, citywide communications has also been provided via email through a weekly benefits bulletin that started in October of 2016. We also continue to send information regarding benefits to 600 home email addresses on a monthly basis.

We still have a risk adverse population, with 75% of our employees enrolled in the Cigna OAP

in-network plan. If we made no changes to network or pharmacy, we are looking at a 4.1% overall increase and a total expected medical cost of \$29.7 million with employees picking up 7 million and the city picking up \$22.7 million. There's several components that TBAC reviewed and supported to help achieve savings this year. I will review these components on the following slides.

First TBAC looked at several wellness initiatives to help employees understand their health. When we reviewed our claims and health risk data we found that we have 31% of our population that has a chronic disease. And our number one chronic disease is high blood pressure. 11% of our member base has high blood pressure. That can lead to heart attacks, strokes, dementia and kidney disease. We are proposing a \$20 per month incentive for any employee who either meets the blood pressure target of less than 140 over 90, or some alternative such as working with your physician or an online coach.

In addition to TBAC, the blood pressure incentive was presented to the management forum in September of 2016 and we partnered with the fire department and held eight blood pressure screenings throughout the city where many employees came to learn and know about their blood pressure. It's been helpful for employees to become more aware of their health. If approved by council, fiscal year '17/18 rates will continue to provide funding for employees and spouses to participate in a wellness screening and health risk assessment at a cost of \$210,000. Employees could earn \$120 if they complete the assessment and if their spouse also does, it would be \$240.

We have increased HRA participation from 40% to 50% this past fiscal year. When people are aware of possible health risks they are more likely to take steps to improve their health. Our goal is still 65% participation as Cigna guarantees that they are able to move members from high risk categories to lower risk categories which means additional long-term savings to our plan.

To encourage members to be more involved with their health and maybe better decisions, the high deductible health plan, partnered with the health savings account allows employees to save tax-free dollars to pay for first dollar medical expenses. Contributions are not taxed. Earnings are not taxed. And when paid -- when withdraws are made for qualified medical expenses, those aren't taxed either. We are asking the city to help encourage employees to feel more comfortable in enrolling in this plan, to help fund their account, by \$41 a month for single coverage and \$83 a month for dependent coverage. This helps to give employees the peace mind of having some money available to pay for future medical expenses if they are responsible for 100% of the claims up to the deductible of \$1,300 or \$2,600.

As another vehicle for retirement, a city contribution helps to attract and retain good employees. TBAC reviewed many pharmacy plan changes to reduce the city's overall cost. This component representing made the most sense and did not impact as many members as other options did. This option affects approximately 400 members or 7% of the member population. Switching from the legacy formulary to the standard formulary will exclude higher cost medications and replace them with lower cost medications, with bio identical medications. Letters will be sent to all impacted members prior to this change going through, and we will work with any members who might have a medical necessity to stay on these drugs and we're able to work with Cigna if that's what their doctor needs.

We are also going to exclude over-the-counter drugs such as ulcer and allergy medications because there's options available that they can purchase at the store. The overall savings is approximately \$500,000.

The last component reviewed to further save the plan money as an additional plan that's similar to the OAP in-network plan has similar copays, but it only has access to the local plus network. Honor Health, banner, and Cigna medical groups. This is not a takeaway for anyone. It's simply an additional option for employees to choose should they already utilize the doctors in this network.

Option number 1 includes the addition of this plan, along with the other saving components I just discussed and this brings the overall increase to rates to 1.3%, or a total of \$29 million. Which is a \$700,000 savings from option number two, which was \$29.7 million. There's one additional plan, option number three to show you.

Last year, employees on the OAP in-network plan experienced approximately a 26% increase while others experienced approximately a 10% increase. A request was made if the council would go back to paying 80% for single coverage and 75% for dependent coverage. This would cost the city an additional \$400,000.

Currently the dental plan is running well. So there's no increase or plan design changes needed here.

Following council direction tonight, we will start the communication process citywide, through citylink, department meetings, staff presentations, and we will work with the office of communications to create computer-based trainings for employees. We also have a hotline and email address that employees can access during office hours.

TBAC has reviewed many different savings scenarios and rate options and is in support of this recommendation option number one. Tonight we are asking to you adopt resolution 10709 which will increase rates by 1.3% overall, implement a blood pressure incentive of \$20 per month and implement an annual city contribution to the HSA account of \$500 for single and \$1,000 for dependents. Change to the Cigna standard drug formulary and remove allergy and heartburn prescriptions that have over-the-counter options available. And have an additional plan with the LocalPlus network. And approve \$120 employee only HRA wellness incentive and increase the FSA amount to \$2,600 and authorize the 2016-093-COS-A1 to the administrative services agree. This option number one was the favorite and the recommendation from the department representatives in the various employee benefit committees. And that concludes my presentation.

[Time: 00:57:35]

Mayor Lane: Thank you, Lauran. I appreciate that information. We may have some questions but if I might, one thing I have some difficulty with, with the PowerPoint as I was trying to follow it from what I had been retained and what we have downloaded. It's a little by different than when it was initially sent over as an alternative. I see the reference to option number three but I don't see specific reference to option one or two. I mean, we talk about -- and I'm presuming that it relates to

the resolution as being number one.

Human Resources Manager Lauran Beebe: Mayor, members of Council, that's correct. Option one is the resolution that we are recommending, 10709. Option number two is if we did nothing. We made no network changes or plan design changes.

Mayor Lane: That explains it. Okay. Understand. So with option one, with the 10709 resolution. That has an overall increase of 1.3?

Human Resources Manager Lauran Beebe: Mayor, members of Council, that's correct.

Mayor Lane: And that's based upon the same contribution as we had -- distribution as we had last year, between the city and the employees.

Human Resources Manager Lauran Beebe: Mayor and members of Council, that's correct.

Mayor Lane: And then as far as some of the other changes they are incorporated within that resolution. I'm talking about as far as each of the plans and the inclusion of a fourth plan?

Human Resources Manager Lauran Beebe: Mayor, members of council, yes. Resolution 10709 does include the pharmacy savings options and additional plan options, HSA contributions and the blood pressure incentive.

Mayor Lane: And the savings percentage that is indicated for option 1 or option 10709 includes a certain amount of migration into this new plan.

Human Resources Manager Lauran Beebe: Mayor, members of council, yes, that's correct.

Mayor Lane: And that's been estimated on a good guess, statistics that we might know, a survey, anything like that, 15% would move to this new plan.

Human Resources Manager Lauran Beebe: Mayor members of council, we are trying to be conservative with 15% as we do have an adverse risk population, we thought we might have gotten a bigger migration with last year's percentage increase. We estimated 15% then. We did only get 10% migration but this is a decrement for them. So we are anticipating 15%.

Mayor Lane: Okay. Thank you very much. Councilman Smith.

[Time: 01:00:14]

Councilman Smith: Thank you, Mayor. And first of all, I want to thank you and congratulate you Lauran. All of us remember this was a more painful experience last year. And you have done a -- you and the whole team have done a great job of coming up with a good proposal for us to look at. So compliments to you and your team.

A couple of questions. You mentioned the \$20 per month for the people who participate in the blood pressure program. Tell me administratively how does this work, if somebody already has low blood pressure do they get \$20 or do they have to make it lower still? What are the mechanics?

Human Resources Manager Lauran Beebe: They will actually have to go to their doctor and have them sign a form that they meet the target or below or they will sign off on the form that we are working with a physician or they can do online coaching from the Cigna website that we will receive reports on that they are completing an alternative option. So if they do it through the doctor or some of the blood pressure screenings that we will have in May and June and July and August, it will automatically upload to Cigna from there. We will know that someone has met the target or completing some type of alternative action.

Councilman Smith: So if someone has genetically the good fortune to have low blood pressure, they will get \$20 a month.

Human Resources Manager Lauran Beebe: Yes, that's correct.

Councilman Smith: Okay. You mentioned on another slide, to get 65% participation in the wellness program and you are currently at, I think you said 50%. What kind of programs can we implement or have other cities implemented or other employers? What are some ideas to get this to 65%?

Human Resources Manager Lauran Beebe: Mayor and members of the Council, I can invite Cigna to come up and talk about it. We have tried to get 65%. There are people out there who don't want to give up personal information, even though we will never receive it, because the HIPAA laws, the health and insurance portable laws does not allow us to receive certain information. So we are trying to still get -- it's not 100%. I think we will struggle with achieving that rate.

Councilman Smith: So the other half of the question is: Are we unusually low? Or is this typical experience with every employer that half the people are reluctant to participate? Is there anything unique about our population?

Human Resources Manager Lauran Beebe: Mayor and members of the council, we actually have a higher participation rate than the average. I don't remember what the average is.

[Off microphone comment]

So roughly, it's 25 to 30% participation rate. So we have a much higher participation rate than the national average.

Councilman Smith: So 65%, getting there is a real stretch. I wish you luck but I was trying to put it in perspective what it might be. I will let others talk. I'm obviously in favor of the principal proposal, not option three. I will let others chime in first.

Mayor Lane: Thank you. Vice Mayor Klapp.

[Time: 01:04:01]

Vice Mayor Klapp: As you mentioned we didn't have a great process to come to a resolution. I think, if I can speak for myself, what I have seen your group do this time has been very good. I mean, the discussion, the representative, the provisions of this resolution, tell me that you looked at a lot of different solutions. I welcome what you are doing here and the health risk assessments. All I can say is, it may save your life. Maybe you don't want to fill out a form or want people to know about your medical history. This is a small step that somebody can take and we give them a financial reward to take it. So I would certainly encourage any of the other 50% that aren't participating in this to please do so.

I think monitoring blood pressure and giving incentive for keeping it low is good because you are right, it's an extreme problem, in all communities. So recognizing that in this, I think it's a good idea. I think incenting for the HSA is a good idea too. I think a lot of people don't understand it. They will probably learn more about it now that there's an incentive for health savings account.

In general, I like what have you come up with and feel it fits the needs of this community and this city and its employees and the fact that it's a 1.3% increase is icing on the cake. We haven't seen a 1.3% increase since I have been on the council. I commend you for that.

I would like to make a motion to adopt resolution 10709 and all the provisions of that resolution from a through h.

Councilmember Korte: Second.

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

Councilmember Korte: Very quickly. Thank you for your leadership, Luran. Good stuff.

Mayor Lane: Thank you. Councilman Phillips, you were on the line. If you wanted to have a comment.

[Time: 01:06:20]

Councilmember Phillips: Thank you, Mayor. Well, one thing was that 15% migration you are talking about to that HSA, the A.C.A. act basically says up until 26 years old, your parents have to pay for your health insurance. So when I look at this migration, it seems it's really only good for single employees and especially the young ones because they are the ones who never get sick and they will live forever and they wouldn't get health insurance but now they are covered by their parents. If they got a job in the city up to age 26 and they have this insurance, they have a free savings account is what they are getting. That's how I look at it.

And with a family, the \$2,600, you got a family especially a starting family with little kids, you are at the doctors every day. I think it's more of a burden to them. I don't think they will migrate. That 15% migration, do you think that's people under the age of 35? That's where that is coming from?

Human Resources Manager Lauran Beebe: I will let Charlie Broucek from Hayes answer that question.

Charlie Broucek: Thank you, Mayor Lane members of council. The reference was to 15% migration into the HSA, we only migrated 5%, for some of the reasons you mentioned. The 15% migration was going from the OAP in-network plan into the LocalPlus. So it was the reduced network plan that we migrated 15% on to. Based on the fact that 15% of the claims currently go through the network that would be left with that LocalPlus option. So just a point of clarification only 5% was migrated into the 1300 or \$2,600 family HSA.

Councilmember Phillips: Okay. So that makes sense then. So in my opinion, I like option three and the reason why, is because last year the employees had to pay about \$800,000 of the increase and this year we have come up with a plan where it costs the taxpayers more but it's still under the projected budget we had from last year for 2017/2018. So to me, it's a win/win for the employees and our taxpayers and I think we owe it to them for the extra that they paid last time to give them the chance this time.

So I'm for option 3.

[Time: 01:09:12]

Mayor Lane: Thank you, Councilman. We have two requests to speak on this subject and pardon me for not getting to them a little earlier. We will start with Darlene Cook of POSA.

Darlene Cook: Good evening, Mayor, members of Council, my name is Darlene Cook. I'm the civilian vice president of POSA or the Police Officers of Scottsdale Association. We have worked very closely with the FOP this year, just like last year. He will give you some numbers and facts and figures. I won't waste your time by repeating those with my three minutes. I also won't take up too much of your time reiterating a lot of the comments that I made last year when we had kind of jumble that evolved last year.

You know your employees are great. I mean we keep Scottsdale running so smoothly. We have been doing more with less since 2008. We love -- we are proud to work for Scottsdale. We love making Scottsdale great. Last year, like Councilman Phillips said, we shouldered part of the burden for the increase to healthcare. As long as we shared that with the city, we did it proudly. We understand that healthcare costs are going up nationwide. This year, since the city is about to recognize a savings from our projected healthcare costs are going to be, we ask that the employees be included in that savings as well.

For that reason, FOP and POSA, we stand together and request that you take a look at option three.

It's similar to option one, except for the fact that it takes us back to the 80/20 percentages that we were at for so many years. We would ask that you take a good, long look at the drug formulary. We are concerned about how this affects families that work for Scottsdale. Over 300 families will be affected by needing to find new medication or alternative medication to work with their doctors. But we do request that you take a good look at option three. It's very close to option one, except it does pass a little bit more of that savings on to the employee. It really is a win/win. And that's all I have for you. Thank you very much.

[Time: 01:11:43]

Mayor Lane: Thank you, Ms. Cook. Then next, Matt Heeron.

Matt Heeren: Good evening, Mayor and members of the Council, I would like to thank you for the opportunity to speak in front of you this evening. I would just like to speak on the progress within the benefits committees and such this year. We've had a lot of good accomplishments. There's been great communications, the emails, I think have made people more aware. We have developed good partnerships working with the city, all city staff, our new city manager, developing those relationships and having open community that I think will further us in the future. I do believe that there are some areas that we can improve at our committee meetings. I think people are still getting more comfortable with each other and now sharing more of their feelings and I would like to note too, they talked about option one, was the one that was more broadly accepted but option three was not given to that committee. So I think that's something you should take into account.

Just like to talk about the process last year. I think everybody degrades it was a poor process and it ended up in a late decision. An option five was added and the employees shouldered \$800,000 that was own in the OAP in-network plan. It was a 16% increase above all other employees, during a total budget increase of 11%. So they shouldered that. I would like speak on today, we talk about the options we are looking at approximately 1.3% increase to total budget which is amazing because I would say when we looked at our forecasted budget for this year, we were looking at roughly an 8%, which was a great job for forecasting for the city staff, which is what the market has done if you look at various magazines. That's a good projection. We are definitely saving money.

I would like to point out year-to-date, our spending, if you will for our healthcare is at 85% over the projected. We are already saving more money and I would like to tell you that this is from our employees being more educated, making better choices. You know, we had less claims. I would caution that we -- is it possible for some that their fear of using too much of the healthcare that they will see, you know, an exponential jump as last year? I don't believe that's the majority of the case but that could be a couple of people.

Also, you know, the employees are being more informed because of communication, through other employees through the committees but definitely through the employee groups. I think we have showed that benefit, and it's pushing on -- but going out for the assessments. I would definitely encourage you to consider option three. I think it sends a good message to the employees going back to the 80/20 split. They are based on the logic that Councilman Smith initiated when he was

treasurer. I think they were on a mark study and they were based on logic and current other cities and such. Even with taking that, we will still save from what the 8% projected was by a significant amount.

I would like to point out the migration we talked about, when we think about the migration as a percentage of that plan. So we are not talking as large of numbers that you might think. I wrote too many things and trying to get through them all.

I would like you to look at option three, and last year we took the \$800,000 we wanted to keep because we had an odd local plus only option and it would send a great message that when times are tough the employees help by shouldering some of that and it's only taking half of what was taken or what the employees shouldered. I thank you for your time. Thank you for your service and I appreciate your consideration in this matter.

Mayor Lane: Thank you, Mr. Heeron. That completes the public comment open that item. We do have a motion on the table. And a second. Unless there's any further comment by the council? I think we are then ready to vote. All those in favor, please indicate by an aye: Aye. Councilwoman Littlefield.

Councilmember Littlefield: Nay.

Mayor Lane: Motion passes 5-2 with Councilman Phillips and Councilwoman Littlefield in opposition. Thank you very much for the input and Lauran thank you very much. And all of the staff that worked on this. This was a very nicely done presentation but also coordinate through all the efforts in bringing this information together to the staff. Not that it didn't start at somewhat of a harsh comparison from last year but it's a dream in comparison of last year. So thank you very much and for all the staff who participated with that. So thank you.

ITEM 17 – STATE LEGISLATIVE UPDATE

[Time: 01:16:52]

Mayor Lane: And we have Mr. Lundahl here for our legislative -- the state legislative update. He's our government relations director for the record. Mr. Lundahl.

Government Relations Director Brad Lundahl: Good evening Mayor and members of the Council. I wanted to go through some of the major littles at the legislature that I believe would impact Scottsdale and bills that you might find of interest. Just briefly, we're almost at the Midway point. We're supposed to have 100 day session. We are at day 44. We are way down on bills introduced this year. Typically we are right around 12, 1300 bills. We are down at 1,000 bills. I will take that as good news. We reached a milestone.

It was the last week to hear bills in committees. So bills that didn't get a hearing are essentially dead for the year. So we really know what the universe of bills are at this point. Although, there are two

more committee hearings later this week that are allowed by exception.

The first bill I wanted to start with is Scottsdale's bill. We are running a bill on mobile home relocation. This would increase statements out of the mobile home relocation fund for residents who are being forced out of their homes due to a change in use of that property. It increases the amounts from \$5,000 to \$7,500 for a single unit and \$10,000 to \$12,500 for a double unit. It includes or we'll be adding in terms for those who own a park model which is very similar to a mobile home. They look very similar, but it is categorized differently and previously they were not eligible for these monies. So that does get added in.

The bill is moving along pretty well. It passed out of the house, 58-1, one no vote. Sorry about that. And it has been assigned to the senate commerce committee. We have been meeting with the committee chairman and we are hoping to get that bill heard in the next couple of weeks.

Next bill is house bill 2011, this would require a municipal bond levy to be net of all cash remaining from the prior year. So this applies to our secondary property tax, and some cities, Scottsdale included, keep a small balance each year and use that balance to offset major fluctuations 2349 tax rate, as well as other purposes. The bill would, in its original form would have eliminated that small reserve.

There was an amendment that allowed cities such as Scottsdale to keep a 10% reserve but would require them to spend the remaining balance down within a two-year period. We have been talking with the bill sponsor, representative Michele Ugenti-Rita. We have indicated to her that we could live with the 10% balance, but we would prefer to have a couple more years to bring that balance down. So we recommended to her four years. Mayor, I can see you are already primed.

[Time: 01:20:18]

Mayor Lane: As I move forward to the mic maybe. I just wanted to say that I think it's an interesting message when we say we have -- any municipal body would have one year to spend down the reserve within the year of enactment. It's not a matter of spending it down. It's good netting it down again whatever the tax requirements could be. It could effectively be a tax reduction to the citizens if, in fact, it's applied. Rather than we didn't rush right out and spend it down.

Government Relations Director Brad Lundahl: Correct. Poor choice of terms on my part. Thank you for that correction, Mayor. What I was hoping was to get your input, are we comfortable with two years or would you like me to proceed to get a couple more years to bring that balance in line?

Mayor Lane: How much leverage do we have on this, if I might just ask?

Government Relations Director Brad Lundahl: Several other municipalities are in the same boat as we are. Some have requested up to ten years. Some are looking for five years. Some are two years. They are all over the board. So I was hoping to get some council direction, just so I can state for sure this is where we are.

Mayor Lane: I think for me personally and as one on this council, I believe that two years is probably adequate, if we are living within the -- the intent of what the legislature, what the state is looking and trying to do and that's to not have us saving a bunch of money for -- if 10% is adequate for most other reserves that we hold, for debt instruments, I don't know whether it works out to a percentage. I think the fact is that we would probably work out fine and then pay down of two years but I will certainly have some further conversation, starting with Councilman Smith.

[Time: 01:22:31]

Councilman Smith: Thank you, Mayor. To Mr. Nichols, the city treasurer, what level of reserves do we have now in the secondary property tax account? Do you recall?

City Treasurer Jeff Nichols: Yes. Mr. Mayor, Councilman Smith, approximately \$11.5 million.

Councilman Smith: And translate if you would to how many months or days or whatever of a reserve. It sounds like about six month reserve or something? It's a half a year's --

City Treasurer Jeff Nichols: I believe it's approximately six months of reserve, if you look at our total debt service for G.O. debt.

Councilman Smith: Then you have about a 30% reserve, which they want you to bring down to 10%. Is that -- am I --

City Treasurer Jeff Nichols: Actually, I'm not sure that it's a 10%. I would defer to Brad, but I think they want us to spend down our current reserve within this fund to do the net as the Mayor had mentioned, to do it net of the spend down when we are setting the rates for the following fiscal year. We could do that in whatever number of years the legislature deems appropriate, because while we have this issue, there are other communities that have a much larger reserve than the city of Scottsdale does.

Councilman Smith: I'm sure they do but they have their council to worry about theirs. Let me ask you, Brad, didn't you say they wanted this -- this whole bill would have us come down to a 10% preserve or did I misunderstood?

Government Relations Director Brad Lundahl: That's correct.

Councilman Smith: And so if we now have 30% reserve, that would suggest. We have 20%, not to spend down, but as the Mayor says to just reduce the tax assessment for a couple of years?

Government Relations Director Brad Lundahl: That's correct. My understanding is the reserve would be in the neighborhood of \$3.5 million if it's allowed at 10%.

Councilman Smith: Right. Okay. I understand it and I don't think I have any problem with it. I

don't know about anybody else but I guess I would urge us to comply but also just make the observation I'm really not sure we should be in the business of taxing to create savings accounts. Some level is in order to smooth out the bumps in the road and the instability to the economy but 10% is probably adequate. That would be my direction.

Mayor Lane: Thank you, Councilman. Councilwoman Korte.

[Time: 01:25:13]

Councilmember Korte: Thank you, Mayor. While we believe that two years would be appropriate time for us to reduce taxes and rid ourselves of this reserve, what value for the city to be a player with some other cities to be a team player. So is there -- is there political value there for us to say go ahead with -- agree with the city of Timbuktu for five years or four years, whatever that is?

Government Relations Director Brad Lundahl: Mayor, Councilmember Korte, like I said, the numbers from the other cities are all over the place, and, you know, I recognize where you are going with this and I can't really see anywhere, where we could align. You know, we could say here's our number. If we got more, great, but because of the diversity of what everybody is looking at, it's really hard to tie ourselves to someone else.

Councilmember Korte: Thank you.

Mayor Lane: Thank you Councilwoman. Councilman Phillips.

[Time: 01:26:26]

Councilmember Phillips: Thank you, Mayor. Mr. Nichols currently at the one-year spend down, it's going to look like a lump sum savings to the taxpayer than it would be if we spread it out over a period of time. Is that the thinking?

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Phillips, that would be the effect of what would happen if they told us to spend it down within one year. That's correct. And not spend down, but to net it against our assessment for the following fiscal year.

Councilmember Phillips: Correct. So is that feasible to you or do you think that one year is not enough time and that we should spread it out over a period of time?

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Phillips, I believe it's feasible, however, when I was in discussions with Brad, I said I thought two years was better and that's what I communicated to him at the time, when he was looking for the information.

Councilmember Phillips: Okay. So if we look at two years and you are saying the rest of the cities are all over the board, then don't all the cities have to kind of agree on a number because it won't work if everybody is asking a different number.

Government Relations Director Brad Lundahl: Mayor, Councilman Phillips, the way the bill reads right now is two years, and what I was hoping for was direction from the council, are we comfortable with that or do you want me to try and get more?

Councilmember Phillips: So it is two years now?

Government Relations Director Brad Lundahl: Correct.

Councilmember Phillips: Well, it sounds like that's comfortable with everybody, and so it's good with me.

[Time: 01:28:02]

Government Relations Director Brad Lundahl: Okay. I think I got that.

The next bill, I may have brought this up before, it's senate bill 1247 and this bill would require all governments -- and that would include cities and towns -- to pay a fee in lieu of property taxes on all conservation easements held by that government or that city or town. This bill really impacts Scottsdale tremendously, due to the amount of conservation easements that we hold in both the preserve and in the north part of the city and in our NOAS lands and probably more impact to us than any other city in the state. I did talk to the bill sponsor, and relayed our concerns about the bill and she did agree to an amendment to grandfather in all of our existing conservation easements but nothing moving forward.

In listening to committee discussion on the bill, her concerns are, in my opinion, almost completely unrelated to how we have been doing our conservation easements. She's trying to address a very specific problem down in her district and is really using a very, very large hammer to go after a little fly. So we have been working with her, trying to come up with alternatives. I'm not sure where this bill is going to go. We are hoping that we can either neutralize the bill or make it go away but the bill sponsor in talking with her, she realizes it's problematic for us but she doesn't know how to fix it and take care of her problem as well. I want to bring it to your attention because it has a large impact in its current form and I'm hoping we can come to some sort of resolution on it.

Next bill, there's going to be two bills on small cell technology. Excuse me. Small cell, fairly new technology. This is for wireless communication and it's intended to be a fill-in measure in place of the large towers that we see now and hence the name small cell. It's designed to improve service and really bring greater service to areas in hopes that new technology will be introduced and easily deployable to citizens through their cell phones or whatever device we have in the future.

The first bill, senate bill 1214, this was brought to us by cable providers, mostly Cox Communications. They wanted to start deploying small cell technology, as part of their expanded business model. They are a cable provider but yet they already have infrastructure out in our community. Their idea is they can use their existing infrastructure to move small cell and add this service and allow the use of small

cell by the wireless companies. So they rent that service out to the wireless companies. They came to cities, very early, and with language and shared it with us. They were very collaborative, very cooperative, worked through all of our concerns very early on. And were really a great partner on this bill.

There were some initial concerns but most of them were alleviated. So I would like to give them kudos. So in the end, we ended up supporting the bill because there's another bill out there that we knew was coming and we wanted to show, you know, how it's done correctly, that if you work with us, you will get a good end result. So this bill was introduced by Senator Fann from Prescott and it passed today out of the senate by a vote of 30-0. No opposition. It showed how good collaborative approach can really get things done.

Next bill, as I mentioned there's two small cell bills. The next one is by the wireless providers such as your Verizons, AT&T and T-Mobiles. This bill is part of a nationwide effort to deploy this new small cell technology. They came to us right at the start of session, introduced the bill, and it has several provisions in it that are troubling to us. One of the most troubling portions was they would be allowed by right to deploy their technology in the right-of-way and also not go through our zoning process to apply this technology on private lands. So that was very troubling.

Again, the other bill, they came in and didn't make this demand but in this one, they wanted to be able to do this by right. The bill also had new height restriction or expanded height restrictions and size restrictions as. They established new timelines from when we had to turn around their applications. The original bill had the fee that -- the annual fee that we charged for the placement of these would be capped at 20s, which is substantially lower than we currently charge for the bigger towers.

And there's several other provisions. I won't go into those, because this bill is changing so quickly. There's already three versions out that changed it from when I did this PowerPoint. So let me just talk about a couple of the remaining concerns. We have made quite a bit of headway on the right-of-way issue, where they now recognize that we as cities and administrators of the right-of-way need to have some control over where these things go in. Right-of-way. So I think that was a significant victory for us. They do recognize that zoning still plays a role, especially on private lands. So they are indicating that we will still be able to zone for the placement of these -- for these devices.

The permit fee, as I mentioned before it was set at \$20. We did make some headway on that. The agreement now is it will be \$50. Not significant but showed they were willing to negotiate a little bit on that. There's still a lot of work to be done on this bill.

I was in a conference call right before council today, and there's maybe five or six remaining large issues on the bill. So it still has a long way to go, but we're making progress kind of inch by inch. And so with that, I would take any questions you have on it. It's a pretty complex bill. So I would probably rather take questions right now than keep talking.

Mayor Lane: We have no questions of you right now.

Government Relations Director Brad Lundahl: Okay. We have signed in as neutral on the bill, as a place holder, and if the negotiations continue in a positive way, that may change to support or it may stay neutral. But if things don't go in the right direction, or we don't get things we need, that may change to opposed. So right now we are neutral as a place holder. I want to make sure that you are aware of that.

Next bill, if you remember, at the legislative breakfast, we talked about opposing any bill that would change our construction sales tax from the current system to a point of sale. So taxes wouldn't be collected where you purchase your building material, well, that bill has appeared. It's house bill 2521, and it would change the sales tax to be collected when materials are purchased. So instead of where the construction occurs, it would be where they are purchased. It creates what they are calling a municipal revenue sharing pool, which would be managed by our department of revenue, and the department of revenue must compile the net value of all building permits and may money to the municipal's 36 month net average of building permits.

So it's a little complicated in terms of simplification, but it does have some dramatic impacts, \$150 million loss in the state general fund and between 71 and \$100 million estimated loss to local governments and these are numbers coming from the state. The league has done some further investigating and they believe that local government impact could be as high as \$160 million.

[Time: 01:37:57]

Mayor Lane: I'm sorry, when you said -- if I might, you are saying the local impact. You are talking about the distributive shared tax revenue could be as high as \$160 million impact. If I might, Mr. Nichols, given a change in formula, how this is being allocated, and since given our current allocation based on population, we are on a 50/50 track on what we receive back and what we contribute. Have we given any thought as to -- even though this will be a net negative on the overall system, we might not be injured as much as others, if, in fact, our permits are more reflective of the level of activity versus the population allocation.

City Treasurer Jeff Nichols: Mr. Mayor, the figures that I got from staff for fiscal year '15/16 are currently the city collected about \$15.1 million in construction sales tax revenue. I don't have the pot of money that they are talking about, taking, and Brad, correct me if I'm wrong is a 4% from the retail revenue by city and collecting that 4% from the cities and then redistributing that money based on the building permits. I believe it will be significantly less than what we are currently taking in under the structure.

Mayor Lane: And we are talking about the loss of city's sales tax now going to the state for redistribution as well?

City Treasurer Jeff Nichols: That's correct.

Mayor Lane: Even as I might like to think that we got lit less hard, at least on the rough estimate as it

looks right now, we probably will not fair very well.

City Treasurer Jeff Nichols: It will be a significant decrease in revenue for the city.

Mayor Lane: Now give me a little something here. Will we do -- will there be less harm to us on the basis of this distribution model than there would be with the population distribution model?

City Treasurer Jeff Nichols: I haven't seen -- staff has not performed that analysis yet, Mr. Mayor.

Mayor Lane: All right. Thank you. We do have a -- do you have something further to say on that.

Government Relations Director Brad Lundahl: I was going to say there is an amendment and I think we talked a little bit about it, that 4% but there is an amendment to the bill pending that is intended to take away the state's loss to the general fund, but it does shift more on to the local governments.

Mayor Lane: Glad to hear that.

Government Relations Director Brad Lundahl: And it actually further complicates the measure. It would actually establish a 1% excise on 65% of the total contract cost and then a revenue pool on a portion of all retail taxes and so not just construction tax but all retail taxes. So, again, I think you are alluding to we already are almost a net loser on our sales tax and this would further aggravate that problem.

Mayor Lane: Thank you. Councilman Phillips.

[Time: 01:41:13]

Councilmember Phillips: Yeah, Brad, it's not good. And you know using the value of the building permits to dole the money back. You have to see that Queen Creek or Peoria, with 400 lots. They can hand out building permits and get the money back that way. We can't do that. I see this as very problematic in using that formula.

Government Relations Director Brad Lundahl: Yes, we have indicated that building permits are really not a good measure. I think the response was, what better indicator do you have? It was a circular argument.

Councilmember Phillips: Don't take our money.

Government Relations Director Brad Lundahl: It goes back to the legislative agenda. With the dramatic impacts I don't think this is the right vehicle to fix the broken construction sales tax.

Next bill, almost every year in one form or another, legislative attempts to ban photo radar. This year it's just a straight out ban on both speeding cameras, red light cameras and everything, including school zones. So I'm bringing this to you. There was a study that there were dramatic decreases in

crashes at intersections and areas where this technology is deployed. So I just wanted to make sure you are okay opposing this, and the bill is actually going to be heard tomorrow in the appropriations committee. It's one of those last remaining committees where bills can be heard after the deadline last week. I'm seeing nods. I will take this as a yes.

Finally, this wasn't a bill, but it was something that appeared in the governor's budget. It was a concept originally proposed by the Arizona board of regents over the summer and then it popped up again in the governor's budget. And it would allow the universities to recapture state PPT and this would include shared revenues at this point in time. These funds would be used for capital projects and maintenance and operations. And the funds would be anything that universities pay to the state.

So the sales tax that the universities would pay to the state, they would be allowed to recapture and use that money to bond for these projects. They estimate in this happens, it would be approximately \$37 million per year to the universities of that 7 million goes to -- would be city and county share and of that, would be about \$3 million of local shared revenues that would not be distributed to cities and towns.

[Time: 01:44:31]

Mayor Lane: Brad, do those numbers you just cited include their exception of sales tax on anything they purchase as well?

Government Relations Director Brad Lundahl: Mayor, I don't know off the top of my head.

Mayor Lane: Whether those numbers include it?

Government Relations Director Brad Lundahl: Yeah.

Mayor Lane: My understanding is they are exempt on their purchases as well. Is that your understanding?

Government Relations Director Brad Lundahl: Mayor, I don't know. I would have to get back to you on that.

Mayor Lane: And then one other mechanic which you probably don't have an answer for, but that's, does the university system remit these sales taxes in a way for them to come back them or are think simply exempt? Do we have any idea? I'm concerned about the quantification of this.

Government Relations Director Brad Lundahl: Yeah, Mayor, like I mentioned, this appeared as a line in the budget. There's not a whole lot of explanation. So this' a lot of conjecture on what it will do, and what it won't do. So I'm trying to keep it to kind of what we know.

Mayor Lane: Okay. Thank you.

Government Relations Director Brad Lundahl: So the league of cities and towns at their last meeting, at their executive committee meeting, they passed a resolution that said they support universities and what they are trying to do, but because there is a shared revenue portion included in this, they can't support that piece of it. Again, supportive of the universities and additional funding, but under its current status, when the shared revenue hit in there, they could not support it. So, again, I just wanted to bring this to your attention.

And with that, Mayor, council, I would be happy to take any questions.

Mayor Lane: I think we got them covered as we went along. Thank you for the presentation, not much good news. We are happy for you explaining it to us and what fights we have and what tactics we are looking to employ.

Government Relations Director Brad Lundahl: All right, thank you, Mayor.

ITEM 18 – CITY'S PROPOSED FISCAL YEAR 2017/18 RATES AND FEES

[Time: 01:46:35]

Mayor Lane: All right. So the next item, of course is the city's proposed fiscal year 2017/18 rates and fees and we have Mr. Worth making his way to the podium. Our public works director. Welcome Mr. Worth.

Public Works Director Dan Worth: Good evening Mayor and Council. I'm here to begin our rates and fees discussion with some of our enterprise funds. The basic requirements for our enterprise funds for council with the financial policy is we need to recover all of our indirect and direct costs of services through the rates and fees and other revenues that we generate from the programs. And we need to recover those costs in a way that is sustainable over a multiyear financial plan.

The solid waste enterprise is one of the four enterprises and you will be getting separate discussions on solid waste aviation, the four enterprise funds. Solid waste is part of the public works department. I'm going to give you the nut shell summary, which is we're not proposing any rate increases this year. Although I want to go into a little bit of detail to explain that in view of what we did last year and some ongoing efforts.

We have two programs. We have a residential program that provides service to 80,000 single family homes in the city of Scottsdale. We have a commercial program that actually competes with other commercial providers. We provide 1400, roughly, accounts, service to 1400 accounts in the city of Scottsdale. There's about 30 other service providers including waste management, republic and a number of other smaller providers that also provide service to commercial accounts.

The residential program, the rate study we did a year ago that we based this year's rates on, determined that we were adequately recovering our costs in the residential program. The second and third bullet on the slide is the commercial program. Last year, I presented to you a proposed

two-year rate increase. You approved the first of those two years of rate increases last year. And just to refresh your memory, it was between that and 15% for the commercial front load service, what is the bulk of our commercial service, about 80% of the commercial program, bigger rate increases for our rollofs. We did not approve the rate increase that we requested for commercial recycling which is a small part of that program and you gave us additional direction to go out and take assessment of our program and come back to you with a strategic plan that reflects the values of community as far as solid waste and recycling services. We are in the mid of that planning effort.

We plan on coming back to you in late June or July with a draft plan, after we completed the public outreach process that we completed from now and that plan, we hope will inform future decisions as to our rate structure in the commercial program.

Mayor Lane: Mr. Worth, I don't know whether it may have been covered in the meantime, but I do have Councilmember Korte has a question.

[Time: 01:50:08]

Councilmember Korte: Thank you, Mayor. Mr. Worth, I thought that there was a significant increase in commercial service last year, and there was some concern expressed that we were becoming noncompetitive with the private industry in solid waste enterprise. Do you have any data regarding loss of business from the increase in those rates from last year.

Public Works Director Dan Worth: We do. We did lose business as we expected. On the front load accounts which is the bulk of our service, we lost some of the customers that would have suffered the biggest increases, now the positive spin on that, those are the customers where we were suffering the biggest losses. We had customers, a lot of the multifamily complexes, our previous structure had pretty deep discounts for multicontainers. We eliminated the multiple container discounts. So instead of a 15% increase, the effect of removing some of those discounts made their increase bigger. We lost some of those impacts.

The total loss of our revenue, looking at the front loaders were down compared to what our budgeted anticipated revenues for this year are. Fiscal year-to-date, we are down about 5%. Most recent full month we are down about 15%. 15% is probably where it's stabilizing. It took several months for some of the cancellations to come through. But we think we are at a point where we are fairly stable in the front load business. Roll off business. Greater loss, smaller part of the overall program.

Recycling business, the accounts we lost were the ones where we frankly were not charging for the service, the Scottsdale unified school district, we had a policy in place where they were getting free service as a loss leader to encourage recycling. Students went home with the recycling message. The thought is we get greater diversion and greater recycling at those homes. We are not seeing numbers to bear that out. We went to charge the full rate and they bid it out and we lost those beings.

We are finding that we are competitive. We are finding that we are especially competitive in our

area where we have the densest service coverage. Downtown, alley services, businesses that don't have national accounts because they are national chains, those kind of businesses, and that's really one of the reasons that we exist, is to service those accounts.

Councilmember Korte: So when you come back, I would like to see real operating budget of revenues versus expenses in this particular category. You know, I assume that since we lost business we have also reduced our expenses, commensurably.

Public Works Director Dan Worth: That's absolutely true. We had 11 full-time equivalent positions, equipment operators that were servicing our routes a year ago. We reduced two positions. And we have a possibility of reducing another. We have gone and reconstituted our routes in order to reduce overtime to make them more efficient, to react to the loss of customers. We have gone and actually done an audit of the services, particularly in the downtown area and we found some inconsistencies that we're fixing through our billing, just to give you an example, we have customers that pay based on the number of days a week they get service. Two days a week, three days a week. We have alleys and streets where we are providing service six days a week. Some customers need six days a week service.

Our operators are trained to look for containers that are full or overflowing and they will pick those up, even if it's not the scheduled pickup date. Those beings are basically getting free service. We are going back to those account owners, we are picking up more than -- you need to change your plan, bigger container or more frequent pickups. We are working with them to right size the accounts and recovering some costs.

That's one of the reasons that we are proposing, actually, to postpone that second year of the proposed two-year rate increase. We need a full year of cost history with both the revenue reductions and the cost efficiencies to really determine where we are and what the magnitude of the next rate increase really needs to be. We want to make it based on that rationale full years' worth of history.

Councilmember Korte: Thank you. Thank you.

[Time: 01:55:36]

Public Works Director Dan Worth: And in response to Councilmember Korte's questions I have now said everything I was planning on saying. So if there are any other questions regarding the solid waste enterprise, I will address them now.

Mayor Lane: Seeing none, I think that covered that.

Public Works Director Dan Worth: The aviation department is not part of the waste management. But I have been asked to tell you that they are not proposing any rate increases for the coming fiscal year in the aviation enterprise. And if you have no questions on the aviation fund, I probably won't be able to answer them anyway, but if you have no questions, I will ask Mr. Biesemeyer to come up

and talk about the water and the wastewater enterprises.

[Time: 01:56:05]

Mayor Lane: I have gotten a number of inquiries about why our fuel costs on the overall are so much more expensive in Scottsdale. I know we are premier on our airport and everything else, but it's significant. And I don't know whether it is a specific charge that we have on the airport, as far as fueling is concerned and whether -- no changes now, as I understand it, but this is simply an add-on on a per gallon basis or otherwise. How do we -- how do we -- how have we determined that and is there ever a look at the extent of that increase -- that additional charge?

Public Works Director Dan Worth: Mayor, I am looking at our enterprise manager to see if there's an answer in the room.

Enterprise Finance Manager Gina Kirklin: Mayor Lane, members of Council, at this time, I can check into that for you. I know there's additional tax on jet fuel specifically, but other -- other cost increases to the fuel at the airport, I'm unaware of that. I can get back to you.

Mayor Lane: Just curious. Obviously we have a market that's strong but at the same time, as long as we are -- we are not -- I guess I'm hesitant to use the word gouging, but nonetheless, taking advantage of what is necessary. If you could, I would sure appreciate that.

City Manager Jim Thompson: Mr. Mayor, members of council, if I may respond to that question, I think we have our FBO operator at the airport who sell a good portion of the fuel and so they would, setting their own rates under their contractual arrangement and it's not something that we set those rates. But we'll be happy to come back and discuss that process with our FBOs.

Mayor Lane: Yes, Mr. Thompson, I guess what I'm thinking -- what I understood from the past, really, this isn't coming from the public, but that we have a specific set number of cents per gallon that we have initiated and left to place. I know that we have not made any changes this year I think we have something on those -- on the FBOs and then I guess there's also the issue of the FBOs are allowed to sell and no one else really is, and it becomes even more of a captive market. But I --

City Manager Jim Thompson: That is correct.

Mayor Lane: I understand there are some politics involved but I would like to check and make sure that we are doing the right thing.

City Manager Jim Thompson: Be happy to.

Mayor Lane: Thank you, Mr. Worth.

Public Works Director Dan Worth: Thank you, Mayor.

[Time: 01:59:00]

Water Services Director Brian Biesemeyer: Well, good evening, Mayor and Council. Brian Biesemeyer, your Scottsdale water director and I'm here with -- to introduce you to a discussion on rates for water and wastewater and a request to increase rates for both water and wastewater this year the drivers or the reason why are -- our C.A.P., our central Arizona project water rates and their increase even some discussion on drought and then as our C.I.P., our capital improvement program.

And you may say -- you may say drought. I mean it's been raining like crazy. We have been getting lots of water. That is true. However, we have been in a 15-year drought and one wet year does not take us out ever that drought. And particularly with respect to the Colorado River, you can see this is a headline from the "L.A. Times" from last week. And if you look at that nice little white bathtub ring around lake Mead, which is a major storage reservoir, that's 150-foot white bathtub ring. With the wet winter, the projections are between 10 and 20 feet of increase in the lake level, but that's hardly 150 feet. So you can still -- there is still a drought and still a concern of ours. Thank you, Brian.

Going back to C.I.P., we have replacement and rehabilitation and improvements this technology and security and water quality improvements. As far as the central Arizona rates, combined they equate to a cost per acre foot. It's about 325,851 gallons and we have a substantial investment, about 75% of our water comes through the central Arizona project, and you can see down below the cost for our total water budget. Our -- yes, sir.

[Time: 02:01:26]

Mayor Lane: Yes, have we -- I don't presume that at this point in time we have calculated or forecast any participation with the -- keeping the water behind lake -- or behind the dam at lake Mead as it has been proposed in the drought contingency plan plus program.

Water Services Director Brian Biesemeyer: Yes, Mayor. We looked they have drought contingency plan plus, and the drought contingency plan are being proposed by the state of Arizona in working with the other lower basin states, California and Nevada. As a measure to alleviate some of the cuts that the central Arizona project would have to take, should this drought get an increase and we actually -- and the lake level go below 1075. If it goes below 1075, California has the preeminent rights on the river and Arizona and Nevada, we take all the cuts.

So the DCP, the drought contingency plan as being proposed by the state of Arizona to have California take some -- and California/Nevada have California take some cuts into that, but that has not come to be as of yet. I don't believe that will happen in 2017. And we have not factored that into 2017. In our five-year planning we have factor some of the DCP plus into the five-year planning but not into next year's budget.

Mayor Lane: Okay. Thank you.

[Time: 02:03:09]

Water Director Brian Biesemeyer: For water C.I.P., the main projects you will see there are for the water side. And then they are five years and I have to say we have a correction. And Brian, if you put it on the Elmo, I have the corrected version. I believe you have been provided a correction also in that. Apologies for that.

It's the same projects but different totals, particularly on the five-year water side. The Thomas groundwater treatment facility is near Pima Park that's currently under design. That facility will allow us flexibility in treating the groundwater in the southern part of the city. As you recall, the southern portion of the city receives a considerable amount of groundwater from a number of different wells and right now, with each of those wells having slightly different groundwater constituents, this facility will allow us to -- to process any wells at any one time, currently several of those wells have -- well, they don't exceed any of the water quality requirements. They are close enough that we end up blending them with other wells. This will allow us to treat any of those wells at any time, as well as be prepared for any future water quality concerns.

An additional part of that is it actually, through this treatment process, it will actually reduce some of the hardness in south Scottsdale. Now this is not a softening treatment, but it will reduce some of the hardness. We think all of those are -- are an advantage to this facility. And will provide better quality water, and a better ability to treat that water in southern Scottsdale.

We also have then the Frank Lloyd Wright transmission main, and some other distribution projects. The zone 14/15 water improvement phase two is a growth related project and is funded by impact fees. So while it's listed here, the funding source is our impact fees.

Mayor Lane: Pardon me one second Mr. Biesemeyer. We have a question or a comment from Councilman Phillips.

[Time: 02:05:29]

Councilmember Phillips: Thank you, Mayor. I'm sorry to -- I don't understand this. You have fiscal year '18 -- let's just take the top one, 10.2 and then five years 13.4. Does that mean in five years it's 13.4 or every five years --

Water Director Brian Biesemeyer: No, that's the total spend for that project.

Councilmember Phillips: So that project will be done in five years for a total cost of 13.4?

Water Director Brian Biesemeyer: Yes. To make it more readable, we consolidated the four remaining out years into a single year.

Councilmember Phillips: And so this is not really the total cost of that facility but the total cost of the enterprise fund is putting into it?

Water Director Brian Biesemeyer: No, that's the total cost of the facility. Sorry, not to try to confuse on that.

Councilmember Phillips: I appreciate that.

Water Director Brian Biesemeyer: Originally, I put a full one out there and had all five years which would have chopped it off after the next two years. I'll -- I will work on that presentation next time.

Then moving forward on the wastewater, it's a collection system, improvements and treatment facility improvements and one area you will note is the sub regional operating group, known as SROG and that's where the city is invested with, Scottsdale, Phoenix, Mesa, Glendale, and Tempe are invested in a wastewater system that affects for us the southern part of Scottsdale and this wastewater is sent through a large selection system down to the 91st avenue treatment facility in Phoenix of which we are a 10% owner. And these SROG payments are for the treatment facility and some of the collection system that reaches that treatment facility.

Brian, I'm moving on. For our water and sewer capital financing, we are projecting for next F.Y. combined MPC of 57 million and five years later only on the water side, the \$35 million bond issuance through our MPC bonds. I'm going to present to you three different proposals for increase, one on the water as a rates increase and then a sewer rate increase and then a service charges, which are for recuperating our costs on services provided. Overall, the water rates increased proposed is 2.9%. Wastewater 2.6%.

As you recall –

[Time: 02:08:23]

Mayor Lane: I'm sorry, Mr. Biesemeyer, on the last slide, with regard to the tiered structure, on our water rates.

Water Director Brian Biesemeyer: Yes, sir.

Mayor Lane: Any change at all to that or is this 2.9 across the board more or less?

Water Director Brian Biesemeyer: No, this is just your overall revenue, I will get to the tiered rates in a couple of slides and I will show you how those lay out. So for our base fee, as you recall, our base fee is based on the meter size, which is the ability to provide that service and the volume of water on a 24-hour basis, on an on notice basis. So that's a capacity charge for our customers. It's 6 5 cents base rate for the smallest meter size. And then for our one inch residential, it goes up to 125 and then it escalates up after that.

You will note that the 3-inch meter size, just for transparency, the 3-inch meter size, we set these two years ago. The 3-inch meter was incorrectly set for the flow capacity. So you will see a substantial increase on that one alone. That's an error that we had when we initially set those rates. So the

3-inch is set to the appropriate flow capacity. There's 21 commercial customers with 3-inch meters. I will say for a 3-inch meter, the actual flow out of those, the volumetric bill way overwhelms the base fee.

Mayor Lane: We have another question or comment from Councilman Phillips.

Councilmember Phillips: Thank you, Mayor. Mr. Biesemeyer so this base fee, that's the monthly fee and then you have all of your other rates on top of it?

Water Services Director Brian Biesemeyer: Then you have a volumetric charge. So if you use no water, this is the bill you would get for having that capacity to provide you water at any time.

Councilmember Phillips: Do you know what size meter you would have to change to when you get a sprinkler system?

Water Services Director Brian Biesemeyer: Typically, it's a one inch. That's why the majority -- you are talking about an internal fire sprinkler system. That's why the majority of the new homes come in with 1 inch meters.

Councilmember Phillips: Then you are probably not using the water because it's just sitting in the pipe.

Water Services Director Brian Biesemeyer: Correct but it's a capacity charge. We have to plan our capacity to be able to meet that one inch demand when it occurs, even though you are correct, you hopefully would not incur the use of that full one-inch meter.

Councilmember Phillips: So they have to pay for the cost of the sprinkler system and the 1 inch meter and the higher fee -- and the higher proposed fee and then the water rate even though they are not using the water.

Water Services Director Brian Biesemeyer: That's correct, but it is a capacity charge and if you had enough of these remodels occur within an area, we would ultimately have to fund some increased improvements to our distribution system, so that we could actually have that water available 24/7. So that's the reasoning behind that, and the what could potentially happen if you had enough of those remodels occur in a particular area.

Councilmember Phillips: Okay. Thank you.

[Time: 02:11:40]

Water Services Director Brian Biesemeyer: Moving on to our volumetric rates on the commercial side, you can see that we are requesting an increase on the tiers two through four with a slight adjustment to tier two and three, to more adequately match our actual rates on the residential side. And we go to the residential side. You will see the tiers request for increased rates in tiers two

through five. We want to leave tier one alone and slight change in Tier 3, Tier 4, volumetric amounts.

On the wastewater side, again the base fees are based on the water meter size and, again, that's a -- that is an ability to actually push wastewater back into the system, based on the water coming into your facility. And we are proposing a 25% -- a 25-cent increase on the three residential sizes, 5/8th through 1 inch. As you recall two years ago when we put this structure up, we consolidated the 5/8th to 1 inch, they are all residents, they have sewer charge and we just consolidated them all to one charge. And based then the other meter sizes on the 1 inch meter going forward. So the other 1.5-inch meters to 8-inches are all based on their ability to provide a volume of water.

And different from water on the wastewater side, we charge the volumetric rate based on the winter average, 90% of winter consumption. That's to represent sewer flow back into our system and it's based on customer categories which are based on the strength of the wastewater returned from those customer categories. So as you would expect, something with dining would have a larger wastewater flow back than a facility without dining and the wastewater is stronger, therefore the increases.

Now, this is the second year we implemented this two years ago. Last year we had no rate increases. So this is the second and final adjustment. As we go forward after this, these should all be in alignment with the actual strength of the wastewater.

As you can see, there's some increases and some decreases, again, based on the actual strength of the wastewater by that customer category. Our history, as you can see, we have been successful at keeping our rates down. And trying not to impact our customers over the last eight years. This is the largest increase we have seen in the last eight years but even with it, if you averaged it out over the eight years, it's half a percent increase over the eight-year period.

One other way to look at this, to make sure that we are actually trying to perform better than the industry, the green line you will see is a water, sewer and trash CPI. There's no specific water and sewer CPI. This is as close as we could get. You could see the CPI and you see the increases in it and the yellow line is how our rates have gone up over that same period, based on a set amount of 100 to start out the comparison. Again, that -- all that shows is we are in the area we want to be. We always want to be conscious of our cost and keeping those down.

The next group is going to be on service charges and I say that before I go to the slide because the first line on the next slide is actually our rate and I will apologize for that. So we have one rate in this slide. That's a bulk water rate. That's for untreated water that we have for a few grandfathered customers in our system that have untreated water provided to them. The rest of these are fees for services provided to move -- to move a meter. We are proposing some increases in deposits for our hydrant meters based on the value of the hydrant meters.

We are proposing an out-of-service surcharge. If our out of the city, if you are not a non-city resident, there's an extra 10% surcharge. We have done some cost estimates that show the actual costs for providing services to the edge of the city, it's an additional cost and we are asking for a 5% increase to fully charge those folks that are not city residents for the additional cost of providing that

to the extreme parts of the city.

We have an A.M.R., our automated meter reading turnoff fee and that's merely to reimburse the cost of sending a truck to turn off a meter senate, not the meter, but the electronic signal. We have a few customers that do not like the electronic signal.

We also propose a commercial fire suppression line fee. We have a number of fire lines to our customer establishments. We don't meter them. We don't want to meter them. We don't desire to that. We want to keep the city safe but we do have a cost involved. Each one of those lines has a valve on it. They break. We go out and repair those lines, and there is a cost. We are proposing a small fee for those lines.

And then we are also proposing a water hauler base fee. As you recall, we improved our water hauling facility on Pima road this last year and we are looking to ensure that we recover our cost for the improvements of that facility. The next slide is, again, just service charges for providing new services and this is primarily to new homes and new development and the service charge costs for providing each.

And with that, as we always do, we don't set our rates on what other people do. We set our rates on our costs but these are utility comparisons for valley wide cities and you can see for a typical customer in the 5/8 to 1 inch meter using less than 12,000 gallons and sewer estimate of 8,000 gallons, these increases would result in \$1.55 per month increase in their water and sewer rates.

On –

[Time: 02:18:54]

Mayor Lane: I'm sorry, Mr. Biesemeyer, just going back to the one on the water resource service charge proposals. They look like rather substantial increases year over year on this. Is there something that drove this or somehow was this a loser or is there some increased cost associated with how we handle these service charges?

Water Services Director Brian Biesemeyer: There has been -- we got behind several years ago, about five or six years ago, we got behind on these and have not asked nor these for quite a while. We then started and then implemented one --

Mayor Lane: You mean not asked for them at all.

Water Services Director Brian Biesemeyer: We did not ask for an increase in these. So starting about five years ago, or so, we -- prior to, that we didn't ask for increases in these. When we started about five years ago, we started; we put several of these on a three-year increment. So then we increased them over three years.

The unfortunate part about it, these costs continued to rise, particularly with the brass. The cost of

meters has substantially in over that time period and as a result of those costs, as well as our own cost of providing the truck and the service personnel to do those, those rose over that period. So we have kind of been in the cycle of the just catching up and catching up and catching up. These, that's why I'm not proposing any one or two or three-year increment. I would like to increase them, catch up and get caught up and then we can deal with the costs every year on a more incremental basis instead of playing a three-year catch-up every time which makes it look -- it causes the larger increases than we would like to see.

Mayor Lane: I think obviously there's been a process that you have employed to increase these substantially because they had not been increased for a period of time, but coupled with that, as I hear you saying, there's been an increase in the equipment and maybe even the servicing of these items. So I want to look at 34, 22, 25% increases, anywhere from six to 34%, it still seems like a fairly substantial, from now on, an increased number, you know from where it was.

Water Services Director Brian Biesemeyer: It is. And admittedly that's our catch up.

Mayor Lane: All right.

Water Services Director Brian Biesemeyer: Although these are two new services provided, to a developer or an individual who builds a home and has to put this service in.

Mayor Lane: So this is the installation service, not --

Water Services Director Brian Biesemeyer: That's correct.

Mayor Lane: But does it -- if you have to replace the meter for some reason or other, is this a duplicate? I mean --

Water Services Director Brian Biesemeyer: There's a separate fee which we are not asking for an increase.

Mayor Lane: But it's different from this?

Water Services Director Brian Biesemeyer: It's different from this, yes, sir.

Mayor Lane: Okay. Thank you.

[Time: 02:21:53]

Water Services Director Brian Biesemeyer: Going back to the 1 inch meter. For a 1 inch residential customer, you can see that the increase proposed is \$2.95. Out of roughly a little over \$100 bill per month. While we moved ahead of Peoria on, this every single valley city has a rate increase to propose to their councils. I can't say what that is. I know it's between 8 and 2%. What they will actually be in the end is up to their councils and their utility folks but I can say every city on here is

going forward with some sort of rate increase.

And with that, public notice as we go forward. Obviously this is a discussion with you on this proposed rates. We are going to present this to the EQAB in March. We will post it on our website pane then we will return to you for approval of these proposed rates. Pending your questions that concludes any portion of the rates and fees.

Mayor Lane: It looks like we have no further questions on it. Thank you very much, Mr. Biesemeyer. Appreciate it.

Water Services Director Brian Biesemeyer: Thank you, Mayor and I will be followed by Bill Murphy.

Mayor Lane: Mr. Murphy, how are you?

[Time: 02:23:25]

Community Services Director Bill Murphy: Good evening, Mr. Mayor, members of Council. I'm here to talk about the non-enterprise rate changes proposals and just a couple of slides before I get into my presentation. But the annual reviews do determine our incorrect and direct costs for our -- along with the service recovery, these acceptable rates once they are discussed would be approved by city council. And the areas that you are going to hear from will be community services, public safety, fire, community and economic development, planning and tourism and events.

So the new adjusted fees for the non-enterprise rates are listed here. It's 65,000, a little over \$65,000 in general fund revenue, and the adjusted increase in special revenue is in community services and that has to do with our youth field allocation as I will explain here in the next slide. So community services, we are suggesting to you some increases at the sports complex, to implement a fee change in our 5k event, vendor fee, an increase in the standardization and customization of the soccer field preparation, an increase for our drop in at club SAR. A special event fast pass that we started this last year at mighty mud mania and the fall festival and finally our youth sports feel allocation discussion.

Community services each year, we put together a team of managers and coordinators from various areas throughout the division. They meet. We also assign one of the commissioners from the parks and recreation commission. This year is our chair and they review each of these fees and as the fees come forward, there's some discussion about those and benchmarking that we do as well with the other cities.

The first one I would like to kind of talk to you about also is a package that we have submitted to the city manager and financial services for this year's budget. So human services has been working with the court system to develop, and the proposal is for us to bring on two full-time master level social workers to work with the court system specifically for those individuals would go through the court system that are convicted for driving under the influence. What this would do is the -- we would be able to offer as the judgment is rendered to those defendants, some counseling and some programs

for them as restitution for that -- what they were found guilty of. The expected revenue that question anticipate to make off of this would be \$232,000. And that's based on the fact that there's about 420 programs, each of the programs would be about \$100 for each of those to do. The trials that we have would be over eight weeks, over 52 weeks. We have a formula built in to that. The anticipated cost to the city for the full-time staff would be \$173,000. So, again this is under consideration for the city manager as we go forward, but I needed to bring it forward to you tonight so you can -- if you had any questions about it.

The increases and changes at the sports complex have to do with the -- the first is 5K. Our vendor fee right now at the sports complex is \$100 for two days. The 5K races that we run are usually in the evenings, in the summer. They only require about four hours. So what we propose to do is to take that rate to \$25 to reduce it by \$75. We anticipate by taking it down a little bit on that, that we'll have more requests for the 5ks, and we anticipate that in the next year, that would accumulate to about \$300.

The field prep for standard soccer fields is to keep us in pace. The standard soccer field is -- when you come to the sports complex, it would be standardized with goals and markings of -- what would be a standard soccer field. We want increase that by \$25 to take it from \$50 to \$75. And the custom painting that we would be doing are primarily for lacrosse, ultimate Frisbee, some of the more specialized requests that we get. So they would overlaid over the existing soccer field and demand a little bit dimensional changes so that that's the area for the sports complex.

Mayor Lane: Mr. Murphy we have a question or comment from Councilman Philips.

[Time: 02:28:27]

Councilmember Phillips: Thank you Mayor, Mr. Murphy. This 5K, where are they running these 5ks?

Community Services Director Bill Murphy: Mayor Lane, Councilman Phillips, we run those right there at the soccer complex. We actually --

Councilmember Phillips: Oh, so they stay in the soccer complex?

Community Services Director Bill Murphy: Yes, right around there.

Okay. Moving on then. To club SAR, we are suggesting a \$1 increase to the nonresident and resident. We haven't increased this in nearly 20 years, the drop-in rate. The other benefit for the drop-in rate. If someone comes in to drop in to work out, if there are some classes offered at club SAR, they are welcome to attend them. That extra dollar charge would cover that. So we are proposing from going resident from \$3 to \$4 and for nonresident from \$5 to \$6.

The fast pass that we tried this last year with mighty mud mania, and this is not correct on the slide, but we actually sold 500 fast passes. And this came from surveys that we had the year previous. So

we anticipate that last year the community services director has a prerogative to -- as a pilot program, to try this and so from feedback from surveys we did. We set it last year. It would be a \$10 fee for the fast pass. It's been very well received from everyone who has come to mighty mud, and so it helps to kind of keep it a fun afternoon for everyone.

[Time: 02:30:10]

Mayor Lane: Bill, for the sake of maybe others that wonder what the fast pass is from a mighty mud mania. I mean is that -- do you avoid the lines? Do you have a quicker mud puddle or, what is it?

Community Services Director Bill Murphy: Mayor Lane, members of the Council, it's a pass for you to go through the course and you have a wrist band on and you are able to get back up into the line, into a -- to the front of the line again. And pretty much by the time you get through the course and all of that, it's pretty cumbersome and after a while, you won't go through it too many times. We know that there's a few people who want to do it more than once.

Mayor Lane: But they go to the front of line?

Community Services Director Bill Murphy: Very much. Yep.

And the last fee that we have there is the youth field allocation and so we came to you, as you recall, this has been kind of an ongoing discussion, but in 2009, we charged \$3 an hour. We have been meeting with the youth groups, the partners that we have about 25 of them, and proposed to -- we raise it to \$2 to \$5 an hour. They are in support of that from the meetings that I have attended and so the increase for this is obviously this money goes into a special revenue. We put back into the fields to pay to do some construction work on dugouts, shade covers, back stops, goals, and some field improvements that might be needed. So that's the proposal for that. And that concludes what I have.

Mayor Lane: All right. Thank you Mr. Murphy. There is a question from Councilman Phillips.

Councilmember Phillips: I'm sorry, Mr. Murphy. Going back to, I think it was the court one, where you are hiring two social workers. Is that hiring or is that a position we already have?

Community Services Director Bill Murphy: It would require us to add two new FTEs to community services budget. But these employees would actually work in the court. Primarily.

Councilmember Phillips: So that still comes out of the city budget?

Community Services Director Bill Murphy: Correct, it would be a general fund obligation to cover that.

Councilmember Phillips: Is that a full-time position?

Community Services Director Bill Murphy: They would be full time positions.

Councilmember Phillips: With benefits and pensions?

Community Services Director Bill Murphy: Correct.

Councilmember Phillips: I'm not real thrilled about that. Sorry. Thank you.

Mayor Lane: Thank you, Mr. Murphy.

[Time: 02:32:53]

Fire Chief Tom Shannon: Good evening Mayor and members of council, our proposed rate and fee changes are really in methodology only. They are really a net zero in terms of revenue and impact to the users. Essentially this relates to tenting and vehicle inspection fees.

We had a fee structure that was -- it was essentially dealt with individual contacts and that was quite inefficient and quite frankly, I believe it was inconsistent in terms of how we were able to grab smaller vendors and smaller promoters as compared to larger ones. And so what we are suggesting is that we go to a two-Tiered sort of approach here, which would allow for more accountable method of inspecting these tents, structurally, as well as the vehicles to ensure that they are safe while at some of these shows.

So as you can see by the first slide, we are proposing a \$159 fee for up to nine touches and -- or nine structures. And \$477 for 10 or more. This really reflects a better use of the inspector's time and it puts a greater accountability on the promoter or the vendor themselves. This really is just demonstrates essentially the same content in the sense of really what the net impact is to our overall revenue. This really is a nominal impact. We see about \$14,000 a year in terms of the fees that come in. And historically, they were in \$159 touches individually. This is going to structure it to better and more appropriately spend inspector's time. And with that, I'm available for questions.

Mayor Lane: The only question I might have is there no gross amount that's been accounted for when it comes in on that varied basis right now. You said it's not structured and it's a case-by-case kind of basis and it may have some inequities and that. Do you have any idea when we talk about zero effect, I suppose.

Fire Chief Tom Shannon: It's essentially \$14,000 a year, regardless whether we structure it as \$159 individual touch or a two-Tiered approach for a smaller and larger.

Mayor Lane: So in setting these fees there was some intent to match up with what had been done even though it might have been erratic or --

Fire Chief Tom Shannon: It was that and it was also a consideration of the time spent. So let's use Barrett Jackson for an example. Barrett Jackson is a proposed increase in the actual permitting fee

but then we also have staff on site that Barrett Jackson pays for that as you can imagine with the number of vehicles and tents that require constant, constant monitoring. Whereas some of the smaller shows, some of the smaller venues, might require a single day by a single inspector to do not only permitting but also the inspections all in one short. It's a varying experience depending on the size of the show.

Mayor Lane: If I were to use the rates that have you here of 159 as and 477 for 10 or more, is that per day or --

Fire Chief Tom Shannon: No, no. Single charge.

Mayor Lane: Single charge, no matter how long the event may run?

Fire Chief Tom Shannon: Correct.

Mayor Lane: Okay. Thank you. I don't see any other questions. Thank you very much, chief. Appreciate it.

[Time: 02:36:53]

Planning and Development Services Director Randy Grant: Mayor, members of council, good evening. Randy grant, planning and development services director. We own have one fee that we're discussing this evening as being -- being raised and that is a fee for the annual fee for wireless communication facilities.

Since 2009, we have had a fee for wireless communication facilities and public right-of-ways that has been increased at 3% per year. And what we're asking this year is a continuation of that trend, that would be a 3% increase over last year. It would apply to facilities that are on the street lights or in public rights of way or on city property. This is consistent with what we have seen in the industry and we believe albeit that Mr. Lundahl said earlier that we may be having a cap imposed by the state in this legislative session to a nominal fee for wireless communication facilities but until that happens, we're proposing that a 3% increase to -- to account for increased costs and also to compensate the city for work and facilities within the rights of way.

Mayor Lane: Randy, has there been any calculation of what that cap number, whether it's \$20 or \$50 would mean to existing installations?

Planning and Development Services Director Randy Grant: Mayor, it would be substantial. Right now the fees that we are getting for the facilities that currently exist is in excess of \$500,000. At \$50 a pop, you know, we are looking at \$5,000. So it's a substantial difference in revenue.

Mayor Lane: So and that's part of what our work is with the legislature and in assessing this overall. I realize this is an attempt to try to make it a bit easier and a bit smoother for technology and efficiency and an installation and impact on us all, but that sounds substantial enough, that I don't

know that I have seen that number at all. You are talking about 495. I'm using the rough numbers. Really just \$500,000 of a loss on that.

Planning and Development Services Director Randy Grant: Mayor, that's correct.

Mayor Lane: And is it? Maybe that was something I probably should have paid a little more closer attention when Mr. Lundahl. Is it grandfathered? Are they subject to this new application.

Planning and Development Services Director Randy Grant: The ones prior to 2009, they didn't pay initially. When the year rolls around, they start accumulating that fee. So everyone is feeling that is weapon the right-of-way.

Mayor Lane: Currently at the current rates?

Planning and Development Services Director Randy Grant: Correct.

Mayor Lane: All right, thank you.

Planning and Development Services Director Randy Grant: And that concludes the discussion.

Mayor Lane: Okay. Yeah. No further questions then on that. Are you going to move into -- oh, you just advanced it for them. Thank you, Randy. Appreciate it.

[Time: 02:40:25]

Tourism and Events Director Karen Churchard: Good evening Mayor and council, Karen Churchard, tourism and events director. We have actually three proposed requests on fee changes. No increases, actually decreases.

The first is for the Marshall Way Bridge, when we first initiated fees we talked about having with trolley access and without trolley access. But in this particular year since we have been doing the fees, we have realized two things, one, no one wanted to use the with trolley access. So we would like to eliminate that. Mainly from a public safety standpoint.

The next is we would like to add an alley fee charge. We have had instances where people have asked to use streets, the closures and that doesn't make as much sense as using the alley. And when we first calculated fees we suggested a 40 cents per square foot and realized in the calculation, when we actually did the math, it was way more expensive to use an alley than a street. So we're -- we would rather have the impact be less and using an alley would be better in that regard.

And then the final fee charge is parking spaces. Again, we realized that if somebody wanted to, say, use 10 parking spaces at \$60, it was more expensive for them to use 10 parking spaces than it would be to close the whole street. And, again, impact being of importance and so we are requesting those changes.

Mayor Lane: All right. Very good. Any questions of council? I have none. Thank you. I'm sorry, Councilwoman Milhaven, did I miss it?

[Time: 02:42:26]

Councilmember Milhaven: I didn't have a question for Karen. I had another issue that I wanted to bring up as it relates to rates and fees.

I heard from some residents about the fees we charge for historic preservation and that the fees may be prohibitive and some folks might like to apply but because the costs are high. What I would like to do is ask staff to work with the historic preservation commission to review the fees and the process related to historic preservation and make a recommendation back to the city council. I don't know. Do I need a motion, Mayor?

Mayor Lane: It's a guidance item, but if it's going to be affected, I think it probably is reasonable to have on a guidance basis.

Councilmember Milhaven: I would like to make a motion to direct staff to that effect.

Mayor Lane: All right.

Councilmember Korte: Second.

Mayor Lane: And seconded. And, again, with the stipulation this is a guidance of staff to look into this issue. Okay. Then I think we are ready then to -- Councilman Phillips.

Councilmember Phillips: The thing about that and I agree with that, but at the same time, there's a lot of other expenses that are keeping people from building in Scottsdale and remodeling their homes. Why don't we just go with one of them, I would like to go and look over a lot of other ones. I don't know if there's a way to word that. I don't know if we delve into that --

Councilmember Milhaven: I was just looking for historic preservation and not remodeling fees. If there's other items, we can do another motion.

Mayor Lane: Your motion stands and it's been seconded. Councilman, if you want to prepare something now or at another date, we can do that.

Councilmember Phillips: I will talk with the city manager and we will figure out the best way to word that and come back.

Mayor Lane: We do have the motion on the table and it's been seconded and. No further comment on it. I think we are ready to vote on that. It's a guidance issue. All of those in favor please indicate by aye. Councilwoman Littlefield.

Councilmember Littlefield: Aye.

Mayor Lane: Okay. Thank you. All right. So I hope that's understood.

ITEM 19 – MONTHLY FINANCIAL UPDATE

[Time: 02:44:47]

Mayor Lane: All right. So we are now then ready to move on to our monthly financial update as of January 31st and we have our esteemed treasurer Mr. Jeff Nichols here at the podium. Welcome.

City Treasurer Jeff Nichols: Mr. Mayor, members of Council, thank you very much.

Mayor Lane: You are losing the audience here.

City Treasurer Jeff Nichols: I notice this on a monthly basis. I don't think it's just me. But having said that, monthly financial update as of January 31st, 2017, on the whole still good news going forward, graphically represented, you see the bottom line and each one of these charts, the revised budget being the bottom line and compare it to actual on some of them you see the revised budgets a tad bit more. On others you see the actuals a little bit more.

The graphical presentation is fine but I'm a numbers person. So I will go to that and I think it shows the closeness of graphs and why sometimes it's hard to see that. As you notice, the bottom right, not far right, second column from the right, the tote Ale movement within these revenue sources, but we're off budget by revised budget by only \$200,000. One of them that I want to bring your attention to, the largest one there, or two. Largest ones, the 14% middle of the page, fines fees and forfeitures and we have two issues going on there. We had a project within the downtown area where we were reviewing parking, and we asked the police department to issue warnings while we worked with the vendors and the people in the area. That revenue and then also we had photo radar, which if you remember, we had an issue with the person that was doing our photo radar. We had to suspend it for a couple of months. Those revenues will probably be lost to us forever this fiscal year. The other one, the charges for services of \$600,000 or 18%, I had mentioned that you to last month and that's just a charge that was a charge that was made in fiscal year '15/16 in which we didn't collect a payment until this fiscal year. We are seeing a positive budget variance if you will.

So digging into sales tax. The 1% revenues, you see the different categories of retail stores, the miscellaneous retail automotive, et cetera. Again, I will go to the largest variances that you see there in food stores, \$300,000 or 8% and what I'm being told by staff is that it's due to a couple of late payments. We know we have received the payments we just didn't receive them in time to book them in this month and then also utilities you see a favorable variance about \$300,000 and that was as a result of reclassifying a taxpayer from the construction category into the utilities category. And simply moving those funds that we had collected from that vendor into this category. And so it wasn't budgeted this month. It will create a positive variance but overall, you see within \$600,000 or

1%, the total 1% sales tax category.

Mayor Lane: Mr. Nichols we have a question or a comment from the Vice Mayor.

[Time: 02:48:19]

Vice Mayor Klapp: The question is: Now that retailers are paying their sales tax directly to the state, starting in January, how soon do you know how much the state is getting on behalf of our local businesses?

City Treasurer Jeff Nichols: We'll have a full month of data by the end of this month. I mean, those tax returns would have been due the middle of February, approximately right now, and then we'll get that information from the state going forward. And so --

Vice Mayor Klapp: Well they give you that information weekly or how often do they update you on the sets?

City Treasurer Jeff Nichols: Mr. Mayor, Vice Mayor Klapp, they provide the payments to us on a weekly basis.

Vice Mayor Klapp: Okay. Thank you.

City Treasurer Jeff Nichols: You're welcome. As you can see, the month was not a very good month. A slight increase if you will, but less than a .3%, when we are budgeting at 2%. Not shown in this graph, but I can tell you in the fiscal year-to-date, we are right at 2%, if you take the just of those lines for -- since the beginning of July. So we are right on budget which showed in the numbers previously, our operating uses by category, fiscal year-to-date, you see the majority of actuals are less than our revised budget. Good news for us.

I will dip down to you see in personnel services, the majority of those savings that we are realizing, it's just that positions are vacated by people who have been here for a long time. We are hiring people and paying them less than the people who vacated the position. We budget properly. Contractual services, we have several areas, community services has a timing of projects. So it's just the timing of the budget. The budget spread, if you will. The police have favorable variances, jail services contract is favorable but we only have those bills through December. Photo radar, because we didn't have the revenue, we also don't have some of the expenses. So we have about a \$200,000 favorable variance within the photo radar program.

Public works has significant timing right now with the projects that they are looking under in the contractual services. 68 projects, only 20 have been completed and are under design and 16 are in progress. And 23 have not yet started. We don't expect that variance to remain through the fiscal year and the transfer is out. That was the SCBA equipment for the police department, our fire department, when we came forward in the beginning of the fiscal year to replace all of that equipment, creating that \$1.4 million variance.

Personnel services, diving down into it, as I said, the majority of the salaries are filling the positions at less than what they are currently budgeted. We are having more people enter the public safety program than we had anticipated. So we are seeing some PSPRS retirement. Health and dental, as you heard, you are running a little bit behind what we had thought we would be at this point of the year. We are also seeing selection, when people are coming into the city, starting new, we assume for every position we have to assume what the selection is going to be and based on our history, 75% of those people normally pick the top tiered plan, what we are seeing is people picking some of the other plans that are less costly to us when we begin their work with the city of Scottsdale. And so overall, personnel services, a \$1.9 million favorable variance and we probably will realize the majority of these savings by the end of the fiscal year.

Again, dipping down into the operating division expenditures, again most of the variances are favorable. You see a couple of unfavorable there. I would caution you and the fire department, we have a significant unfavorable variance to the tune of approximately \$600,000, and over time, it's being matched by savings in other areas. You see the public safety police, most of that is related to salaries. The photo radar, and some other contractual services within the police department, the jail services contract, and then in public works, again, I think the majority of that is going to be a timing issue. Many times at the end of the year, the public works department is right on budget or actually spends a little bit more than they were budgeted.

But overall, if you remember, in December, I had told you the change in fund barrel, the bottom right-hand corner, the last month; it was a positive \$5 million variance from where we budgeted. It's dipped down about \$300,000. We are still showing, the actual at this point in time, we are \$4.7 million better off than what we thought we would be at this point in time. Some of those savings will be realized at the end of the fiscal year and some of them would not. And with that, I will take some of the questions that you may have.

Mayor Lane: I see no questions. I have none. Mr. Nichols thank you very much.

City Treasurer Jeff Nichols: Thank you, Mayor.

[Time: 02:54:00]

Mayor Lane: So brings us to the end of our regular agenda items or public comment. No further. Petitions, none. Any Mayor or council items? Hearing none, I will accept a motion to journal.

Vice Mayor Klapp: Move to adjourn.

Councilmember Korte: Second.

Mayor Lane: The motion is made and seconded. All of those in favor of adjournment, please indicate by aye. We are adjourned. Thank you very much.