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#### **CALL TO ORDER**

[Time: 00:00:24]

Mayor Lane: Good evening, everyone. Nice to have you here. And for those who have transitioned from the last Boards and Commission meeting, we are going to start at 5:00 rather than 10:00 to be a little more convenient for you. In any case, I want to call to order the March 20<sup>th</sup>, 2018 Regular Council meeting.

#### **ROLL CALL**

[Time: 00:00:30]

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

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Virginia Korte.

Vice Mayor Korte: Here.

Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

Carolyn Jagger: David Smith.

Councilman Smith: Present.

Carolyn Jagger: City Manager Jim Thompson.

Jim Thompson: Here.

Carolyn Jagger: City Attorney Bruce Washburn.

Bruce Washburn: Here.

Carolyn Jagger: City Treasurer Jeff Nichols.

Jeff Nichols: Here.

Carolyn Jagger: City Auditor Sharron Walker.

Sharron Walker: Here.

Carolyn Jagger: And the Clerk is present.

[Time: 00:00:53]

Mayor Lane: Thank you. Just some items of business. We do have cards if you would like to speak on any of the subjects on our agenda and/or for public comment.

The white cards the city clerk is holding up over her head right now and if you would like to give us some written comment on any of the agenda items, there's a yellow card, which is over her head right at the moment. They can be filled out and we will, well, we will read them here on Council during the proceedings. We do have Scottsdale police officers Jason Glenn and Tony Wells here to assist. They are directly in front of me on the second level there. And the areas behind the Council dais are reserved for Council and for staff and if you have the need for facilities, they are over here to my left under that exit sign over there. And we had a Boy Scout troop that was unable to meet with us tonight to give the Pledge of Allegiance.

**PLEDGE OF ALLEGIANCE**

[Time: 00:01:52]

Mayor Lane: So I will ask that Councilman Phillips leads us in the pledge. If you can, please stand.

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

Mayor Lane: Thank you, Councilman.

**INVOCATION**

[Time: 00:02:26]

Mayor Lane: As for the invocation, in lieu of invocation, I will ask for a moment of silence for us to consider and reflect upon the thoughts and prayers for those killed and injured by the bombings in Austin, Texas. So if we could take a moment for that, please. Thank you.

**MAYOR'S REPORT**

[Time: 00:02:56]

Mayor Lane: Next order of business we do have is the Mayor's Report and, of course, we want to and we do have a proclamation on Enriching our Senior Community Awareness Month. So those of you who are seniors as I am, we love the idea of being, that people are aware of us, and what we are doing. So we do have this proclamation to proclaim just exactly that. I will go ahead and read that and make a presentation as well.

But the proclamation reads, whereas the city of Scottsdale recognizes the benefit of a strong partnership between the public and private resources benefiting our senior citizens and further strengthening our community; and whereas, senior citizens and disabled adults are our brothers and sisters are parents and godparents and grandparents and those who have paved the path before us, with generosity and love; and whereas, more than 10% of Scottsdale citizens are over the age of 75 and helping them stay independent, active, healthy and social for as long as is possible is the

community priority; whereas these individuals have had enriching roles in our lives and throughout the decades have contributed to the strength of our families and history, and the history that surrounds; whereas our lives have been made better for those around and before us, it's our opportunity to show our appreciation to those seniors. I therefore, I Jim Lane, Mayor of the city of Scottsdale do hereby proclaim March 2018 as Scottsdale's enriching our Senior Community Awareness Month in witness of where, I have here unto set my hand to cause to be affixed the seal of the city of Scottsdale in this proclamation.

I would ask if we could have to accept this proclamation, Audrey's Angels Scottsdale Leadership class 32, the Band of Angels come forward for a presentation and photo. Thank you very much for that.

### **PRESENTATIONS/INFORMATION UPDATES**

[Time: 00:06:01]

Mayor Lane: So we do have a presentation. Arizona Musicfest and the presenter Allan Naplan, executive and producing director. Here for a presentation on that event. Welcome, Mr. Naplan.

[Time: 00:06:16]

Arizona Musicfest Executive and Producing Director Allan Naplan: Thank you, good afternoon, Mayor Lane, Vice Mayor Korte and distinguished City Councilmembers. My name is Allan Naplan, the executive and the producing director of Arizona Musicfest, a nonprofit charitable organization in north Scottsdale. I want to make sure our first slide comes up. Thank you.

Last Friday evening, Musicfest concluded our 27<sup>th</sup> annual festival season. This year, Arizona Musicfest reached an all-time high in attendance by attracting over 21,000 attendees to our festival season. With a total of 25 concerts that started in November, and then followed in January, February, and throughout early March, Arizona Musicfest presented world-class performances for the residents of the north Scottsdale, Scottsdale proper and for visitors from near and far. As we look at this year's attendance, we note that 32% of our ticket buyers hold primary residents in north Scottsdale, while another 30% are either part-time north Scottsdale residents or winter visitors to our area.

As these patrons are here to Experience Scottsdale, Musicfest is proud to serve as a major cultural destination, that greatly enriches their Scottsdale experience. Further we know intuitively and anecdotally that when our out-of-town guests go back to the colder climate homes, Arizona Musicfest has become part of their Scottsdale experience narrative, attracting others to join them on future visits. Our distinction as a cultural destination is due to the high caliber artists and performances we provide to our audiences.

Headlining this year's festival were celebrity artists, including Michael Feinstein, Pink Martini, and Mary Chapin Carpenter and LeAnn Womack and many others. We are proud to honor these outstanding musicians to an already distinguished roster of past Musicfest guest artists. In addition to these fine artists we are most proud of the Festival Orchestra, the jewel in the crown of Arizona

music fest. Each season, music fest assembles a superlative ensemble of orchestral musicians hailing from the nation's top orchestras. It included the New York Philharmonic, the Philadelphia orchestra, the Cleveland orchestra, the national symphony, the San Francisco symphony and the list goes on and on. As we often say, Arizona Musicfest is where music's finest come to play. These orchestral all-stars under the director of maestro Robert moody, performed.

When not rehearsing, performing or bringing their extraordinary expertise into area schools our musicians took full advantage of all that our city has to offer. As Musicfest does not have its own venue. There are no public performance venues in north Scottsdale large enough to accommodate our audiences, Musicfest a secular nonprofit is fortunate to rent two of Scottsdale's largest churches to house our festival performances, principally it uses Highlands Church with a seating capacity of 1500 and La Casa de Cristo church which holds 1200.

Musicfest utilizes additional north Scottsdale spaces. While our popular concert season draws the most public attention to Musicfest, our organization's deeper contribution to the city, to its residents and youth of Scottsdale and to the region as a whole, goes far beyond just presenting concerts. As Musicfest's mission is equally focused on providing music education programs to area schools, performance opportunities, and scholarship funds to the best and brightest musicians in our area and creative programs for all in our community to enjoy. Provided at no charge to area schools, Musicfest engaging and entertaining in-school music education systems serve children in K-12.

Currently, Musicfest programs are presented in Scottsdale schools in the SUSD, as well as those schools located in Scottsdale, but part of the Paradise Valley school district, and Cave Creek unified school district as well. Musicfest ensembles provide performance education programs on classic music, jazz and multicultural music through our mariachi ensemble. In addition, the Musicfest has contributed over 300 instruments to local schools, as well as to families in need. All of Musicfest's in-school education programs align with state educational standards.

[Time: 00:11:26]

Beyond the classroom, Musicfest greatly benefits the area's youth for programs through young musicians with seven competitions and a young musicians concert series, Musicfest is providing competitions for best and brightest. And through Musicfest college scholarship program they have contributed over \$70,000 to area students pursuing college degrees in music. Finally, Musicfest extends our music enrichment services to students of all ages, through our dynamic music alive, lifelong learning and creative aging initiative.

Through an extensive series of lectures, intimate performances, movies, music talks, and even ukulele lessons for seniors, Musicfest is making music, engaging, participatory and fulfilling for Scottsdale older residents. Arizona Musicfest which has a strong track record of fiscal health currently operates on an annual budget of just under \$2 million. Despite our modest budget size with over 21,000 attendees, music fest is the second largest nonprofit concert presenter in Scottsdale, only next to the city's own center for the performing arts and we are certainly the largest arts organization in north Scottsdale.

In the last five years, Musicfest has realized festival sales growth of 174%, as well as increase of 63% in individual philanthropy. Scottsdale is not a, north Scottsdale is not a corporate hub, music fest is almost entirely reliant on the generosity of our north Scottsdale patrons to support our efforts and thankfully they do. We are thankful to the city of Scottsdale for its support of Musicfest through its community arts grant program which last year awarded us \$3,000. According to go new data released by the U.S. bureau of economic analysis, Arizona's arts and culture industry contributes \$9 billion to the state's economy. Arizona Musicfest is enormously proud to have our contribution directly enhance the financial cultural and tourism vitality of Scottsdale in general, and north Scottsdale in particular.

We are pleased that the rich contribution we make to our community, through music education, youth performance, lifelong learning greatly enrich the quality of life for Scottsdale residents and visitors alike. But the truth is, we believe that we're merely scratching the surface of many great things still to come at Arizona Musicfest. On about behalf of the Arizona Musicfest board of directors, our volunteers, musicians, students and patrons, I thank you for allowing me to speak you to this afternoon and I look forward to welcoming all of to you next year's Arizona Musicfest festival. Thank you.

Mayor Lane: Thank you, Mr. Naplan. That completes the presentations.

**PUBLIC COMMENT**

[Time: 00:14:34]

Mayor Lane: Our next area, we do not have any requests for public comment, but I should note for the record that public comment is reserved for citizens comments regarding non-agendized items with no official Council action to be taken on these items. Comments are limited to I issues within the jurisdiction of the City Council and as I said, there are no requests for that now, but there will be an opportunity at the end of this meeting if, in fact, it's called for. So with that, I move on to the next item.

**ADDED ITEM**

[Time: 00:15:09]

Mayor Lane: We're going to, we have an added item, and that was an added item, is 16A to the April 10<sup>th</sup>, 2,018<sup>th</sup> Council meeting. And so I would like to, if somebody would make a motion to, either to accept the agenda item as presented or to continue it to the April 10<sup>th</sup> meeting and that is Item 16A.

Vice Mayor Korte: Mayor, I move to accept the additional Item 16A.

Mayor Lane: The motion has been made and seconded. All those in favor, please indicate aye. Aye. Register your vote. And opposed nay. No nays. That item will be continued on the agenda

as presented.

## **MINUTES**

[Time: 00:16:06]

Mayor Lane: Next order of business is a request to approve the Special Meeting Minutes of February 20<sup>th</sup>, 2018, the Regular Meeting Minutes of February 20<sup>th</sup>, 2018 and Executive Session Minutes of February 20<sup>th</sup>, 2018. Do I have a motion to approve?

Councilwoman Milhaven: So moved.

Councilwoman Klapp: Second.

Mayor Lane: Motion has been made and seconded. All those in favor, we are ready to vote on that. All those in favor, please indicate by aye. Aye. It's unanimous then, 7-0 to accept those minutes as was indicated in the motion.

## **CONSENT AGENDA**

[Time: 00:16:38]

Mayor Lane: Our next order of business is agenda Items 1 through 16A, and I do have a request by Councilman Smith to pull 16A for presentation and Q&A. So we will move that to the Regular agenda. 16A. Just for the record, if you are here for those items, Item 2 is the Social Tap conditional use permit 4-UP-2010 number 3 and it's a request for the conditional use permit, for the adoption of Resolution 11054. We will go into that further in the Regular agenda.

Item 7 is the Reata Wash flood control engineering services contract, and that's a request to adopt Resolution 11031, authorizing contract 2018-027-COS with Wood, Patel and Associates.

And Item 16A is the 68<sup>th</sup> Street Bridge replacement. That's a request to adopt Resolution 11070, authorizing \$400,000 budget appropriation transfer from additional available budget appropriation in the adopted fiscal 2017/2018 CIP to a newly created CIP project for 68<sup>th</sup> street reconstruction over the Arizona canal. That will be funded by the transportation fund undesignated, unreserved fund balance.

Those three items have been removed from the Consent. And we will take them to the Regular agenda in this same order as the numbers would indicate. So with that, we have the remaining Consent items. Do I have a motion to accept?

Vice Mayor Korte: Mayor, I move to.....

Mayor Lane: I just noted that I do have one request to speak on another Consent item. So before

we make that motion, pardon me, Vice Mayor. Michael Auerbach would like to speak on Item 8.

[Time: 00:19:12]

Michael Auerbach: Good evening Mayor and members of the City Council, my name is Michael Auerbach and in full disclosure, I'm here speaking on behalf of myself and not in my official capacity as a Parks and Recreation commissioner. I encourage the adoption of Resolution 11061, based on the available additional budget appropriation money primarily to further the clubhouse refinement, and expansion accommodation at the Scottsdale stadium, where the giants play their spring training games. The proposal for approximately 10 to 12,000 square foot of year-round multiuse facility space and a kitchen for both the club house and the stadium for multiuse events.

The tourism dollars and the visitors that come to Scottsdale from around the world have been able to allow Scottsdale to be the goal standard within the city, within the valley and around the state of Arizona and making these accommodations I believe will enhance the tourism and the revenue, as well as bring other events into the Scottsdale stadium downtown area that may and probably will have nothing to do with sports or Major League Baseball's spring training. On September 20<sup>th</sup>, I will remind the Council, 2016, a Resolution 10466 was approved. To spend the additional funds to make the upgrades to the Scottsdale stadium, and I also would like to add that former Councilman Dennis Robbins, who is now in charge of the Charros, who basically take everything from the tickets to organize parking at the Scottsdale stadium has been working on this issue and this past week spoke at the Scottsdale forward event, explaining exactly how the impact of the stadium affects the residents and our tourists throughout the year. Thank you.

Mayor Lane: Thank you, Mr. Auerbach. And for the record, former Councilman Robbins and now Executive Director for the Charros has submitted a card to the same effect. So with that, I have completed the comments. The other cards and comments on the Consent agenda have been read. With that, we are now prepared to consider a motion for the balance of the Consent agenda and I would, for the record also state that that would be absent of Item 2, 7, and 16A.

Vice Mayor Korte: Mayor, I would like to make a motion to approve Consent Agenda Items 1 through 16A, with the exclusion of Items 2, 7, and 16A.

Councilman Smith: Second.

Mayor Lane: The motion has been made by the Vice Mayor and seconded by Councilman Smith. We are then ready to vote. Well, it's already been predetermined. Did everybody vote that fast? It's unanimous. It's 7-0 on those remaining items on the Consent agenda. So if you are here for those items, those remaining items on the Consent agenda, certainly feel free to stay with us, otherwise, if you would, please, exit quietly. And as with Mr. Flynn, he may want to stay until 10:00. It's good to see you. Takes care of the Consent agenda items.

**REGULAR AGENDA**



Mayor Lane: We will now move on to the Regular agenda items which have been added to, with Item 2, 7, and 16A. And so we'll go in that order.

**ITEM 2 – SOCIAL TAP CONDITIONAL USE PERMIT (4-UP-2010#3)**

[Time: 00:23:31]

Mayor Lane: Item 2, again for the record before we have a presentation by staff is a Social Tap conditional use permit. And this is a request to authorize through a Resolution 11054 amending the conditional use permit for an existing bar use to add a rooftop deck and bar area, allowing outdoor television, speakers change, hours of operation, and add noise limitations for an 11,993 square foot parcel within the central business district. So with that, yes, welcome.

[Time: 00:24:11]

Senior Planner Greg Bloemberg: Thank you Mayor Lane, Councilmembers. Greg Bloemberg here to present the Social Tap conditional use permit. It's at the intersection of Drinkwater and 5<sup>th</sup> avenue. This is a closer view of the establishment. This area here is all outdoor patio area. Different view from the other side of the street. And the zoning on site is C-2 with a P-3 and downtown overlay. This is the site plan for the property. As I mentioned before, all the area outside of this rectangle is patio space, going to about this point here. The applicant made some changes on the site out of refuse enclosure and receptacle space. But this is only to add the roof tech to the patio cover.

This is the floor plan. Again, the first floor plan is not changing at all. The second floor plan calls for a rooftop deck with a bar and seating and a railing around that rooftop deck. As part of this request, we asked the applicant to conduct a noise analysis, which they did. This graph shows the results of those noise measurements. The highest measurement was 79-decibels and that was measured on the north side of Drinkwater, excuse me, and at that time, there was live music playing at Wasted Grain. So that probably contributed to the elevated noise level at that particular location, and oftentimes these noise levels can also be amplified by the golf carts that drive down those streets on a regular basis, but this does show the noise levels, or what those noise levels are typically on a regular Saturday night at that location. So the request summary, again is to revise the floor plan to include a roof deck and bar.

Several stipulations, we have added some stipulations that are in your packet, but the most significant request is to modify stipulation number 7 from the original CUP to allow for outdoor televisions and speakers. In order to do the roof deck, seven additional parking spaces are required. They have secured those parking spaces via a remote agreement. There were three residents that expressed concerns at the PC hearing, the Planning Commission hearing.

It's my understanding that the applicant met with those residents at the establishment and the Planning Commission recommended approval, 6-0 at the hearing. That concludes staff's presentation. We are available for questions and the owner is also here if you have any questions for them.

Mayor Lane: Very good. Councilman Littlefield.

[Time: 00:27:20]

Councilwoman Littlefield: Thank you, Mayor. The reason I pulled this is as I was reading this project for Social Tap, I made a couple of notes that I would like answers to from staff. We're adding a rooftop deck in the bar area to allow for outdoor television speakers, changing of hours of operation and add noise limitation. Then it goes down in and it says this request includes an amendment to the stipulate from a previous CUP prohibiting televisions and speakers on the patio. Then it goes on further, on page 3, currently this stipulation prohibits outdoor televisions and speakers, but it should be noted that the applicant currently has televisions and speakers on the patio in violation of the existing CUP stipulation which is one of the reasons we are trying to get the amendment. My question is: Why are we allowing them to be in violation of a current stipulation before any changes have been made? Why haven't we said no, shut it down?

Greg Bloemberg: Mayor Lane, Councilwoman Littlefield, it's a code enforcement process. Typically on evening use, evening uses, we will respond to complaints. It's possible that they have had them there for some time. I'm not sure how long they have had them, but I would point out that the way we would like for them to get approval is to come through and amend the CUP, obviously instead of just violating the stipulations. When we see them, and keep in mind some, some bar uses have approval for outdoor televisions. So it's not like you can drive by and just make a quick assessment. If we know they are in violation, obviously we follow up with a code enforcement notice and ultimately, a citation if it's needed.

Councilwoman Littlefield: Are they currently closed? Stopped on the television, closing down the television part of it?

Greg Bloemberg: It would be difficult for us to close down a CUP. The process that we would probably use would be to bring the CUP back to Council for revocation.

Councilwoman Littlefield: Okay. That has not been done. I guess my concern with this process that we are going through right now, not that they are asking for television or radio or music, or whatever, it's that, it looks to me like we are trying to wash away a violation that they are currently in and because we don't want to say anything about it, we are going to now make it legal. And that's not, to my mind the proper procedure for taking care of issues like this. I think we need to take a real close look at how we enforce our CUPs because our, at our stipulations on those CUPs because it's on that basis that the CUP was granted to begin with. So to do it this way strikes me as being, if you will excuse the word back-asswards. And we have to make it held, before we change the stipulations and I think that's something that we need to take a real close look at. Thank you. And that's not just for this. It's for any business like this.

Mayor Lane: Thank you, Councilwoman.

[Time: 00:31:02]

Councilwoman Milhaven: I would like to make a motion that the conditional use permit has been met and adoption Resolution number 11054, amending the use permit for an existing bar. I think that should do it. And, you know, so they're in violation. The code says you are not in violation. So you can either turn off the TVs or come and ask for permission to leave the TVs on. So they are coming forward to say, if it's all the same to you, can we leave the TVs on. I'm very familiar with this corner. It's in the middle of a commercial area. In my opinion, it's not bothering anybody and let's let them leave the TVs on. So, I make a motion. Thank you.

Mayor Lane: Thank you, Councilwoman.

Vice Mayor Korte: Second.

Mayor Lane: Second by the Vice Mayor. Would you like to speak to it? We do have a request to speak, Councilman Smith.

[Time: 00:31:54]

Councilman Smith: Well, I think a couple of questions. What operating license does the Social Tap have, class 12, class 6, or what?

Greg Bloemberg: They are operating under a series 6 liquor license.

Councilman Smith: Normally on a series 6, the party will indicate what the community benefit is of the requested CUP. Did they do so in this case?

Greg Bloemberg: Mayor Lane and Councilman Smith, basically, the CUP criteria, they did a narrative that responded to all the CUP criteria. So the CUP criteria are in the report. So they responded to that.

Councilman Smith: So do you happen to have that in front of you?

Greg Bloemberg: Mayor Lane, Councilman Smith, one of the criteria for a conditional use permit in this case is establishing compatibility with the surrounding area, and the establishment is in an area that is occupied by other establishments that are very similar in intensity, and there's no residential in that area. So I think that responds in general to that criteria.

Councilman Smith: I think I was asking a different question and maybe that's not necessary for the CUP, but normally to get the license, they talk about the benefits for the community. We have had this discussion before, and sometimes the benefits to the community are a little transparent. But you don't happen to have anything in that regard at this moment in that application?

[Time: 00:33:59]

Current Planning Director Tim Curtis: Tim Curtis of the Planning Department. I think Councilman, you are referring to the liquor license questionnaire that, that we provide to applicants when they are pursuing their liquor license. This liquor license hasn't been submitted yet, it's dependent on approval. Conditional use permit that would allow them to operate the bar expansion upstairs. So those criteria in terms of the convenience to the, that the public would be served by the expansion of that liquor license hasn't been submitted or evaluated yet.

However, it's very similar to the conditional use permit that's in front of you today, in terms of compatibility with the surrounding property owners. There's not any criterion that directly relates to a public benefit, you know, beyond any other business in terms of the liquor license. It's not about the public benefit. It's about the convenience being served. That's part of the liquor license, not the conditional use permit. It's about the surrounding properties.

Councilman Smith: Did I understand you, did you say that series 6 liquor license has not yet been submitted?

[Time: 00:35:21]

Tim Curtis: Mayor and Councilman Smith, the expansion, the permanent expansion of the existing series 6 hasn't been submitted yet.

Councilman Smith: A different but related question, when you gave the, the noise readings, was that in anticipation of additional rooftop speakers or was that just the existing noise at the location?

Tim Curtis: Mayor Lane and Councilman Smith, we requested that they do some noise analysis, because the TV, the existing TVs and speakers on the patio and the fact that they were trying to add some roof level occupiable space, it just seemed like a worthwhile exercise to determine what the existing conditions are. I could have the applicant elaborate if you would like to find out how they did that analysis.

Councilman Smith: I don't care how they did that analysis, because that's for the existing location. I was trying to figure out, is this to persuade us that the noise will be within limits, even when we had rooftop speakers and TVs and whatever S. that the intent of this slide that we are looking at?

Tim Curtis: Mayor Lane and Councilman Smith, it was an informational slide to give you an idea of what the existing noise conditions are.

Councilman Smith: So then it has nothing to do with the rooftop?

Tim Curtis: It doesn't take into consideration the rooftop, no.

Councilman Smith: Well, I have problems with this application on several levels. Most significantly as with every other series 6 license, I like to know how the public benefit is going to be served by the

requested license and in this case the expansion of the license to a rooftop application. Number two, I find no relevance to the sound readings for an existing location to justify an expansion of the location. And number three, I am in agreement with Councilwoman Littlefield, that this is just not the right way to solve a CUP problem, to find out that an application is in violation to do nothing about the violation, to allow it to continue to operate as is, and come to us and seek an amendment without any discussion of what the public benefit is going to be, I think she said it was in some way backwards, I guess, I would agree with that. Thank you.

Mayor Lane: Thank you, Councilman. Mr. Grant, I think you may have mentioned the fact that in a normal course of things, that we have handled this type of situation similarly in the past. And I will just preface your response by one further comment and that is in the past, it has been a good deal of concern to the Council through the years as to whether or not the singular course of action is to bring a nullification of the CUP to the Council. And there is nothing other than that that can officially on done; is that correct?

[Time: 00:38:55]

Planning and Development Director Randy Grant: Mayor Lane, there's more that can be officially done. It's associated with a typical code enforcement process where we can't simply go in and shut them down. We can issue them notices violation and take that through the civil process that all code enforcement violations go through. The expected process for a CUP as anticipated in the zoning ordinance is that the Council can revoke the CUP. And if it were a chronic problem, and I'm only familiar with one where it's come back before the City Council in anticipation of a revocation hearing. But if it's a chronic problem, then that is a possible course of action for the Council to remove the use. Typically we would simply go through the enforcement process leading up to it and we have been very successful in getting compliance.

Mayor Lane: All right, thank you. Councilman Smith.

Councilman Smith: Well, I was just going to observe, and maybe the audience can observe the same thing, this is a very peculiar way to deal with a violation of a conditional use permit. We are being asked to double down. If it was a violation to have it on the first floor, let's build a second floor and build it twice. That's what I find offensive about this approach and I would urge the staff to figure out some way on this and future cases to figure out how we put the word "conditional" use back into the use permits.

Mayor Lane: Thank you, Councilman. Seeing that we have no further requests to speak on this item, I think we are then ready to vote. We do have a motion and a second that's in place for approval. I ask that all of those in favor please indicate by aye. Those opposed with a nay. Aye. Motion passes 5-2, with Councilwoman Littlefield and Councilman Smith opposing. So thank you very much for the input, and to staff for the explanations.

**ITEM 7 – REATA WASH FLOOD CONTROL ENGINEERING SERVICES CONTRACT**

[Time: 00:41:19]

Mayor Lane: We move on to the next item which was an item taken from the Consent agenda and that's Item 7. And Item 7 is specifically the Reata Wash flood control engineering services contract. And this is a request to adopt Resolution 11031, authorizing contract 2018-027-COS with Wood, Patel and Associates in the amount of \$667,000 to advance the design of Reata Wash flood control project. Yes.

[Time: 00:42:00]

City Engineer Dave Lipinski: Mayor Lane, members of the Council, Dave Lipinski, City Engineer. I do not have a presentation for this item tonight. I'm happy to answer any questions you may have.

Mayor Lane: All right. Then I would turn to Councilwoman Littlefield.

Councilwoman Littlefield: Thank you, Mayor. I see this is basically the money that we need to make the submittal to.... to.....

Dave Lipinski: FEMA.

Councilwoman Littlefield: And FEMA and make sure the plan is approve and agreeable to them; is that correct?

Dave Lipinski: Mayor Lane and Councilwoman Littlefield, this gets us to a 30% design stage and allow us to submit to FEMA for the conditional letter of map, which is their concurrence of our design and in essence states if we construct in conformance with the design plans they are in agreement with what we are trying to do.

Councilwoman Littlefield: Okay. And how assured are we that they will concur with this design plan?

Dave Lipinski: Mayor Lane, Councilwoman Littlefield, we have worked with our consultant. We have worked with our stormwater team. We sat down with the county flood control district several times working on this scope. I know the funding was in place in October. It's taken us a while to get here to make sure we are checking the right boxes. The consultant we have has done 50 plus submittals in the past and they have yet to be denied an approval. They assure me this will not be the first one. We are very aware of FEMA's guidelines and we believe it will check all the boxes and provide the document.

Councilwoman Littlefield: It's a great deal of money to be spent. I don't want to do it on an iffy proposition.

Councilwoman Milhaven: I make a motion to adopt Resolution 11031.

Vice Mayor Korte: Second.

Mayor Lane: Motion has been made by Councilwoman Milhaven and seconded by the Vice Mayor. Would you like to speak toward it at all? Hearing none, no further requests for questions on the subject. We are then ready to vote. All those in favor indicate with an aye. Those opposed with a nay. The motion passes 6-1 with Councilwoman Littlefield opposing. All right.

**ITEM 16A – 68<sup>TH</sup> STREET BRIDGE REPLACEMENT**

[Time: 00:44:30]

Mayor Lane: Our next item is Item, also taken from the Consent agenda, and that's 16A. This is the 6<sup>th</sup> Street Bridge replacement. Resolution 11070, authorizing \$400,000 budget appropriation transfer from additional available budget appropriation in the adopted fiscal year 2017/18 CIP, to a newly created CIP project titled 68<sup>th</sup> Street Bridge reconstruction over the Arizona canal, to be funded by the fiscal year 2017/18 transportation fund undesignated, unreserved fund balance. And adoption Resolution 11071 authorizing engineering services with Burgess and Niple.

[Time: 00:45:18]

Public Works Director Dan Worth: As the Mayor just mentioned we have a bridge that's in need of replacement. This is the 68<sup>th</sup> Street Bridge, over the canal north of Indian School Road. Problems with the bridge came to our attention as a result of a biannual recurring survey that we do. We work with ADOT and ADOT contract to inspect all of our bridges and large structures that carry traffic every two years to determine whether they continue to be safe or if they need attention. This one needs attention. It came to light in January as a result of that inspection. It was built 57 or 58 years ago, early 1960s.

You can see a couple of things from the picture I wanted to point out. It was built as a two-lane bridge. And you can see the joint between the original bridge and the expansion, both sides. The outside lanes were added in the early 1970s. So it's an old bridge, and then the other thing I wanted to point out, you can see the cracking in the asphalt, it's normal. We treat it. It's part of our program, but if you take a look at the whole bridge, a lot more cracking up in this area on the original portion, not the widening portion on the north end. That's where the bulk of the problems were, that the inspecting engineering found when they took a look at this.

Another view of the bridge. Looking from the south to the north. I point out it rests on three piers, four spans. And this is what caused the alarm. This is the concrete on the bottom of the north, the northern most span in that original portion. We call it delamination or spalling. The concrete was starting to come apart and you can see exposed reinforcing concrete that was covered by concrete or reinforcing steel that was covered by concrete when the bridge was constructed. The concrete has fallen off. That's exposed to the elements. It's rusting and losing strength because of that.

While that was a fairly dramatic condition, we took immediate action to restrict traffic over the most

dangerous parts of bridge and we contracted directly with the same engineer that did the initial inspection to do a further, more detailed analysis. They have gone and done several tests, electrical, conductivity tests and acoustic testing to evaluate the soundness of the rest of the structure and the piers. Their recommendation as a result of that, is that we replace the bridge and don't attempt to simply repair it. This is from the report.

It just gives you an idea of the extent of the damage. The red areas here are areas where that concrete separation, the delamination was happening. That picture was basically this area here, which is the whole original portion of the northern most span, as suffering from that delamination. As I mentioned, we have restricted traffic over the worst parts of bridge. We are using only the outside lanes of traffic right now, which is obviously creating a bottleneck in the area, and some urgency to getting this thing replaced. You can see the barricades here. Only the outside lanes on the newer more sound portions of the bridge are currently being used.

[Time: 00:48:50]

You can also, again, see the more extensive cracking in this area here, where the bulk of the subsurface damage is happening. The action tonight is two parts. We are asking to establish a capital project with a \$400,000 fund transfer, funded by the transportation fund, unreserved fund balance and we are asking to you approve the award of an engineering design contract. We are proposing a contract, again with the same consulting engineer that did the initial inspection and further evaluation to develop the design for the replacement of the bridge. We envision if we approve the funding and the design contract, coming back sometime in the fall with a construction contract, we will take a design, bid it out and come back to a construction contract for award.

Our target is mid-January. We got a very tight window is SRP can provide us where they can remove the water from the canal from mid-January to mid-February, and if we can do the construction during that window, we're going to reduce our costs, reduce the timeline considerable. That's the time to do it. In order to meet that timeline, that's why we are here now with some sense of urgency to get the funding and the design contract awarded. So with that, I would be happy to answer any questions.

Mayor Lane: Thank you, Mr. Worth. We do have some comments or questions. We start with Councilman Smith.

Councilman Smith: Dan, the reason I wanted this item to be discussed, I would like for the public to be aware in a very dramatic sense of the infrastructure and the capital investment needs of the city. This is probably illustrating in an unfortunate way just how serious some of these problems are in the city, and why we. why we need to reinvest in the infrastructure. It's not just covering up the cracks or making the city pretty. It's public safety. That should be a first responsibility for all of us here when we are on a bridge that has been deemed unsafe to travel. I had to, I was amused by your comment that it needs attention. In fact, of course it needs to be replaced, and should have been long before it reached the ripe old age of 58 or 60 years old. The CIP needs in the city are serious. I certainly recommend approving the project and recommend spending the necessary money to bring



this back into a safe condition. Do you have at this moment any idea of what the ultimate cost of replacement for this one project might be?

Dan Worth: Mayor, Councilman Smith, it would be a guess, not an estimate because part of the design process is going to be to determine what kind of bridge. There are options but somewhere in the \$2 to \$3 million range would be the guess.

Councilman Smith: Well, your guess is probably better than mine. I appreciate that. I don't really have any other comments. I'm happy to have anybody else talk about this, but I'm happy to approve Resolution, 11070, as well as Resolution 11071.

Councilwoman Littlefield: I will second that.

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

[Time: 00:52:32]

Councilwoman Littlefield: Thank you, Mayor. I would like to just kind of double down on what Councilman Smith has said. This is a bridge that needs to be replaced. It needs to be put on the CIP and funds allocated for doing the engineering and design study for it. Thank you.

Mayor Lane: Thank you, Councilwoman. You know, I would just want to make sure that one thing is clear, is that in the normal course of things, these bridges, all of our infrastructure on those bridges are inspected annually.

Dan Worth: Mayor, it's every two years.

Mayor Lane: Every two years ago it was looked at. Two years ago this was not an issue?

Dan Worth: Mayor, that's correct.

[Time: 00:52:53]

Mayor Lane: I very much agree, not only to authorize this, these funds to start the process on this, and then find the funding for it, and now how important it is for our capital infrastructure and this being a very defining example of just how strong that need might be, but at the same too many, that we are rigorously following a normal course of action with the inspection of our infrastructure. And this is our response. This is what we need to do. And we're on that. So an unsafe condition will be resolved, but at the same time, we do need the support and the financing to be able to do it. But I just want to reiterate the fact that we have a process. The process is working. We found the problem and then in the normal course of things, so we are taking care of our infrastructure. So with that, there's a motion and a second on this for approval. Certainly, I could, I'm on that same wavelength. So with that, we are ready to vote. All of those in favor, please indicate by aye and register your vote. Aye. And the vote is unanimous. Thank you very much, Mr. Worth.

Dan Worth: Thank you, Mayor.

**ITEM 17 – BED TAX REVENUE ALLOCATION MODIFICATION**

[Time: 00:54:34]

Mayor Lane: And now we will move on to our real Regular agenda. Or at least that which was put on the agenda to begin with and we will start with Item 17, the bed tax revenue allocation, and we have Mr. Jeff Nichols our illustrious City Treasurer at the podium to give us some details on the proposed reallocation or the allocation modification. Mr. Nichols, welcome.

[Time: 00:55:01]

City Treasurer Jeff Nichols: Mr. Mayor, members of Council, thank you very much. Bed tax revenue allocation, just a modification of one of our financial policies. To give you a background on them, we first began studying policies back in '94, '95. We have made adjustments every year or proposed adjustments every year and it does contribute to the AAA bond rating and it makes fiscal strategy and policy decisions. You see the five categories of financial policies that we have and not all are just related to financing. They are related to operation and capital management, something we just discussed. Also reserve management and financial reporting.

So to get to the financial policy 21A, in March of 2000, March 9, 2010, there was an election, and voters passed to increase the bed tax from 3 to 5%. And pursuant that election on July 7<sup>th</sup>, 2010, the Council adopted a policy and you see the policy. It was a percentage, 50% of the bed taxes were to go to experienced Scottsdale, and then the CVB for destination marketing. 12% to the General Fund. 9.5% for events and event development, 4% for administration and research, and then 24.5% for capital projects.

And on June 28<sup>th</sup>, 2011, that policy was rewritten, redone, and some of the significant changes, 40% for at least four different tourism-related capital projects in the form of one-time commitments or annual commitments that support debt service. Again, on May 8<sup>th</sup>, 2012, the city approved the creation of a special revenue fund. This was done so that all the, it would be called the tourism development fund, and it would be used to deposit all the bed taxes, in addition to the lease revenues derived from the Fairmount Scottsdale Princess resort. So May 8<sup>th</sup>, 2012, with that same Council update, Council modified the methodology for allocating the tourism development revenues and went from percentages to fixed amounts.

And you see the amounts, \$1.2 million to the development, and \$500,000 for admin research, \$500,000 for one-time commitments, it would be capital in nature and the balance of the reasons for capital projects, the one-time commitments, the multiyear commitments were not to exceed \$600,000 per project. In October of 2017, we brought this issue up to the CIP subcommittee. And to look at going back to percentages versus fixed dollar amounts. And we did this for several reasons. Some of them, I will get to here in a minute.

We wanted to add language that would allow for the impact of projects built with tourism funds that had operating impacts to the General Fund to be funded from this revenue source so that they couldn't just build capital projects and then we were expected to pay for all the operating expenses related to those projects. I also want a commitment that the tourism development revenues would be allocated first for that service. We made the compliment, that we will repay them for loaning us that money. I want that to be the first priority from our 50% of revenues.

The tourism, we brought that forward again. That was a 3-0 vote of the CIP subcommittee to go 2 percentages and so we brought that forward to February 28<sup>th</sup> meeting with the Tourism Development Commission. We received a recommendation that the City Council adopt the proposed changes to the percent-based allocation. And here was one of the reasons we looked at going back to percentages versus fixed dollar amounts. As you can see over the years with this bar graph, we have an unspent amount in each actual column, starting in fiscal year '13. We have an amount that was unspent and that carries over and then you have an amount that's unspent the following year and that carries over and we have worked up to the point now that our carryover estimate is \$12.7 million available within this fund. Now, that will be decreased by an action you took tonight, allocating \$5 million to the stadium project. So that will be down to \$7.7 million of undesignated funds.

[Time: 01:00:01]

So what do we want to do? We want to change operating management 21A. They will still be deposited in the tourism development fund. We are adding some wording there. In addition to the bed taxes, the Princess revenues will be deposited there. 50% for the destination marketing which was approved by voters, 12% for the General Fund. 9% for tourism-related events and 12% for administration research and getting rid of the one-time commitments for capital projects and event and development, \$500,000. 25%, I'm sorry. 25% plus the payments for the Princess lease resort of the remaining tourism development funds would be for tourism-related operating expenses, capital projects, operating impacts that are directly associated with tourism-related capital projects, and other commitments unless otherwise approved by City Council.

At the end of each fiscal year, again, just changing the tourism development fund, changing the name of that and in the event of a decrease in tourism development fund revenues, debt service is a priority and will be met first. So some of the rationale, we thought it added clarity. The tourism development fund annual allocation from fixed amounts to percentages. In fact, if this revenue goes up, the amounts allocated to those areas will go up. If the revenue goes down over time, the amount allocated to those areas will go down as well and it will be automatic. And add language to state that the in the event of a decrease, we honor our debt service payments and they will be met first.

So in 2017/18, you see these two columns, the adopted fiscal year amounts under the current methodology. The changes with the new methodology, comparing them side by side, and what we're asking you to do is adopt Ordinance number 4330, amending comprehensive adopted financial policy number 21A, which designated the purpose and allocation of special revenues for the special revenue fund for tourism development and repeals the previously adopted purposes and allocation

and that would be effective July 1<sup>st</sup>, 2018. And with that I would take any questions Council may have.

Mayor Lane: Thank you, Mr. Nichols. Comment or a question or otherwise from Councilman Smith?

Councilman Smith: Otherwise, I guess.

Mayor Lane: Okay.

[Time: 01:03:08]

Councilman Smith: No, it is a comment or a question. I'm taking this into its component pieces of what it's going to do. And first of all, just for the record, making the provision that, you know, first allocation of the bed tax monies will be for the payment of bed tax financial obligations to the public, certainly a good idea. Probably not necessary because I think the bond and debentures require us to do that. But nonetheless, we can put that down as an objective and a plan of what we are going to do. The second thing to talk about is that the, whether the financial policy should provide that the bed tax in a sense absorb the operating impacts of the capital projects that are being approved by the bed tax. I think that's also a good idea because otherwise we will run into the situation where it's easy to build the project and then it falls to the General Fund to support that project. So requiring that somehow in here we allow for the continued operating impact of the projects being built, I think is a good idea.

And now the things that I have a problem with, if you will, Mr. Nichols, put back up the slide that had the stacked bars and what it used to be best of the one. The fourth bar from the bottom was called one-time commitments. It was half a million dollars. The thinking at the time that this was done back in 2012 was that there should be one portion of the total fund that is not committed long term nor sent anywhere nor promised to anybody. And in a sense, on a \$10 million annual budget this became a 5% cushion. So that if the revenues fell off by 5%, you simply don't spend that part in the fourth from the bottom, the orange colored bar. Now, that's disappeared. And you have in a sense merged it over into the green bars of the illustration on the right. Meaning, I guess that it could be used for multiyear commitments and we lost whatever flexibility that may have provided. I'm not, I'm not sure I agree with that thinking.

In fact, part of what you are asking for with this pictorial display is to increase the amount that is available for events, the second from the bottom bar, increasing if from 1.2, to 1.7. Maybe what you are thinking is, we're just absorbing a half million into the events portion, but it was always available for events anyway if the money was there and if times were tight. So I think I would prefer to keep the dollar amount for events and event development what we have right now and also keep the one-time commitment bar, which could be spent for events if necessary. It comes out to the same dollar amount but I think it provides greater clarity of what that half million dollars flexible piece was really all about when we put it in there in 2012.

I think the problem that I have for the most part with this, and, is that it's going to reduce significantly the amount of money that we have available either by bonding or in cash to spend on capital projects. I think the expectation of the staff and the vote in the Council at the time, in 2010, was that this new bed tax allocation percent would provide an opportunity for significant new funding of capital investment projects, and what you have, and what this will do is it will, only money available for capital expenditure projects is the green bars, the three bars on the right and on the left, it was threat bars in green, plus the orange bar, which could have been used for one-time capital.

[Time: 01:07:59]

The money that was available if we stick with the old allocation as illustrated on the bar on the left, would have been the 4.1, and the half billion in the orange forced from the bottom bar, 4.6 million. Now we are taking that down to 3.2. And going from 4.6 to 3.2, is a significant reduction in the money that is available to support long-term debt for capital investments. Not even to mention the fact that that portion must also cover operating costs in the future and I'm not quarreling with that. I'm saying that if we took that money on an annual basis, and went out to issue bonds, we could issue somewhere between 15 and \$20 million worth of bonds and I guess what I'm troubled by is that if I adopt an agree with this change as proposed, I have just, I have just eliminated a \$15 or \$20 million capital project that I could do for the benefit of tourism. And I think that was the purpose of this whole bed tax in the first place.

It was not in my mind to increase the amount of money sent to the General Fund, which on this proposal would go from \$1.5 million to \$2.3 million. The bed tax, I don't think was intended to be a supplement to the needs of the General Fund. The General Fund needs were enormous. I know that. But I don't think the way to solve those General Fund needs is to take money from the bed tax and not just because, quote/unquote, they haven't spent it in the past. If it hasn't been spent, that's a whole other problem. But I am, I'm unwilling to endorse this as presented in such a way that it will reduce literally a, eliminate a \$15 million project that we could otherwise do for the benefit of tourism. I would remind the public, we built the Museum of the West for less than that. We could build another Museum of the West.

But instead, we will send money to the General Fund and sending money for administration and research, which the package tells us is going to allow an additional full-time equivalent, as well as contractors, public relations, website marketing, that's not in my mind what this was all about. I'm willing to listen to other members of Council. I certainly would agree to certain aspects of this and they are, I will repeat, I would agree that the tourism development fund should make a, a debt service their first responsibility. I think they will anyway, but, fine, we will put it in writing. Number two, I think they should agree to absorb the operating impact of capital impacts that they build and that's about it. That's all I think that should be appropriate as a change. Thank you, Mayor.

[Time: 01:11:32]

Mayor Lane: Thank you, Councilman. There are points of agreement on some of what was just said, but one of the, and I certainly do agree that debt service needs to be a priority and it's been the

top end of this. When this issue went to the ballot, with the change in the bed tax rate, the initial certainly read on it and it's in the ballot language, that at the discretion of the Council that half or one half of it would go to our destination marketing contractor, to whomever that might be. Of course, that's Experience Scottsdale. But specifically, for that application, for destination marketing.

And that in rough terms, we worked off a formula that we had used on an annual basis would go to general and administrative, police and fire requirements, increased level of it to accommodate police, fire and emergency services and other streets and roads and other impacts within the General Fund cost categories. And so it was that many years ago that it was a set amount, which I firmly believe that that amount needs to be put on a percentage basis in much the same way and I think that's what's been done here. I concur with that. That moves the General Fund in those categories from what is effectively 8% to 12%. So that's a big piece of the increase. But I think it's warranted and over the last eight years, it's certainly in line.

The part that I have difficulty with, and I do think that there is a good bit of call for capital projects for tourism infrastructure. We have proven that and we know it's on deck. We are blessed with a mechanism to accommodate some things. In redoing our capital infrastructure for tourism venues, without going to the taxpayers and burdening them with some additional debt, and, of course, this is all tourism generated money. So it's helpful to keep it in that perspective. It's tourism paying for tourism infrastructure.

To change the events, and I know Councilman Smith started with the one-time commitment of a point of \$500,000 or 3%, it looks pretty simple and I realize this is over simplifying, it but we took the events and the event development from 1.2, to 1.7. There's the \$500,000, right there. And I'm not sure that we want to get into a continuing growth on the events and the events development when we have invested so much money in this infrastructure as to why we now, we watch routinely the amounts of money that are going for a number of different categories but inclusive of advertising sharing costs, venue help, off season potentially incentives to utilize the services of our facilities and most notably in WestWorld.

[Time: 01:15:10]

So I'm, I'm concerned about that jumping up a half a million dollars when I watch a matter some of routine. We even got a note today on our desk here, on the dais, of a question about the type of event that we are investing more heavily than we ever have invested in some of our primary events in the past. So I have got a bit of concern as to how this is structured. I'm 100% with the General Fund being increased to a percentage. And if that's warranted in that amount, which I believe it is, it gives us some relief, the citizens some relief for the increase in police and fire and urgency services that are dedicated to some of our, well, to all of our events, of course, but to some of our larger events which are ever increasingly growing.

And so that event, we also have the Homeland Security issues that have added to the increase in costs in those areas. So I think that's something that certainly when we first put this translated from the ballot language to how we were going to do this allocation, there were some things that were clear,

others we tried to follow and keep track and we have modified it since. This modification, I'm not sure it's necessary to be picked up. I would sooner that that was made available in infrastructure. And administrative and research, I think that ends up getting used if that's available. I'm not exactly sure how those allocations are used.

I know we do have some downtown monies that have been used in some other studies that have been involve, but when you have a major capital project to be considered, well, I will leave it at that. That's not something that's heartburn. The TCP improvements, I think that's absolutely entirely valid. That's what we did the first go around, the first 30 years. The funds off the lease paid for the debt to be paid down. And, of course, that was paid down ultimately. So my only real, it gets right down to the idea that I'm not sure that I would look for the one-time commitment money to be shifted into the events and events development. I would almost rather see that go into the capital improvements on tourism venues. With, that I just would say, and, and with that, I will go to Councilman Phillips.

[Time: 01:17:57]

Councilman Phillips: Thank you, Mayor. At the beginning of your comments, you said this was unanimous by the subcommittee. Well, now, of course, it sounds like it's not unanimous by the subcommittee. So I'm just wondering if maybe staff took into consideration some assumptions that maybe we didn't agree with it at the time or how that came to be.

Jeff Nichols: Mayor Lane, Councilman Smith, I think that the CIP subcommittee was unanimous in that it should go to percentages versus fixed amounts. I don't know that we got down into the weeds with them on the different buckets at the time. The concept of percentages was something they could support.

Councilman Phillips: That's what I remember. Basically what this is, you took the concept of percentages and then staff figured out a way to allocate those percentages?

Jeff Nichols: I believe what we did was we went back to the very beginning, when Council first set up the distribution of revenues from these funding sources. And we looked at what those percentages were and then we tried to mirror those numbers in the policies that we are going forward and that's where we get the dollar amounts for the various buckets.

Councilman Phillips: So assumptions are made and the 5% was moved here or moved there, that's not really the case. It just looks like that. Because when we spread it out, you can say really, half of that five is in one and half is in another, or something like that? It's not like a dollar for dollar. It's just really that's how it came out when it we switched to percentages.

Jeff Nichols: Councilman Phillips, when we looked at the percentages back when we first allocated those dollars. We said if we maintained those percentages what would it look like today? That's what we tried to come up with.

Councilman Phillips: That's what I remember. I was kind of fine with it, but if there's some

tweaking to be done by the rest of the Council, that's fine with me also.

Mayor Lane: Thank you, Councilman. Councilwoman Littlefield.

[Time: 01:20:12]

Councilwoman Littlefield: Thank you. I too agree with moving to the percentages. I think that makes a lot more sense. I am a little concerned with not having some money in there for the infrastructure. We used \$5 million tonight to start working on the stadium as one of those kinds of projects. So I kind of agree with the Mayor. So I think we have some sort of a kettle in, whether it's a half million or \$1 million, as our infrastructure needs to expand to meet the needs of our tourism industry, we need to have money to step up to dot work that needs to be done on the infrastructure. So I would agree with that and I think that would make a lot more sense but I do like the percentages and I like basically the way it's been set up. In general. Thank you.

Mayor Lane: Thank you. Vice Mayor Korte.

Vice Mayor Korte: Thank you, Mayor. I would like to kind of hear from staff and perhaps the tourism department to better understand why the events and the event development has gone from 6 to 9% or 9%. You know, the biggest shift, we need that to support the additional costs of tourism infrastructure or events. I believe that this one-time commitment in the adopted 2017/18 amounts, you know, the current methodology, you know, we are splitting hairs there. I think it's easier if we do larger buckets so to speak. It's easier to manage. Perhaps Ms. Churchard could give me an idea of the pressure on the events and the event development arena

[Time: 01:22:42]

Tourism and Events Director Karen Churchard: Yes, Mayor Lane and Vice Mayor Korte. As we looked through this process, as Treasurer Nichols mentioned, we went back to the percentages. We were talking about the differences between what the \$1.2 million was and up to the 1.7, and there's a lot of different ways that we can apply those dollars, not yet to be determined. We were waiting for this discussion first.

But as an example, currently the way we fund Scottsdazzle and Western Week, and the way we fund most of those projects is an ask from the carryover fund. So each year they are not automatically applied. So that's one item. The other item is, relates to one-time events that happen every five, ten years, Super Bowls, final fours, national championship games, those tend to have dollar amounts that are applied anywhere from one year to three years and those dollar amounts are pretty significant as well. We have the need for those dollars to cover some of those expenses to be determined how we would actually allocate them pending your decision tonight.

Vice Mayor Korte: Thank you. I believe that the staff has done a really good job. You have spent much more time reviewing the needs for these dollars and the buckets and where they need to be. So I will be supporting the recommendation as stated here. Thank you.



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

[Time: 01:24:32]

Councilwoman Klapp: You started to show the language that was approved by the voters and I would like to see that, please.

Jeff Nichols: Okay.

Councilwoman Klapp: I think it was the next slide.

Jeff Nichols: Well, it's on the Elmo and Brian is getting some water. As soon as he can switch that back, we will have that up there. You should have known, Brian, when you were walking away, that it was going to happen.

Councilwoman Klapp: The wizard came out from behind the wall.

Jeff Nichols: There you go.

Councilwoman Klapp: Thank you. So go over that again.

Jeff Nichols: Okay.

Councilwoman Klapp: Remind ourselves what we said we were going to do as far as allocating this stuff.

Jeff Nichols: And this was the language that was on the ballot. I just copied and pasted it into the word. Increase the bed tax from 3 to 5% and 50% of the total revenue for destination marketing and 50% for tourism research, and tourism-related capital projects and other eligible uses and it goes on to talk a yes vote shall have and the other highlighted area is the city's 50%. And, again, four tourism-related support and tourism research, and tourism capital related projects and other eligible uses as determined by city ordinance and state law.

Councilwoman Klapp: Okay.

Jeff Nichols: And that was the language that was on the ballot of what, what the effect of a yes vote would have.

Councilwoman Klapp: So if I'm understanding correctly, I believe that's what you said. You are taking us back to around 2010, when we changed all the allocations to dollar amounts rather than percentages, and now this chart on the right represents what we were originally doing before that time is that pretty much correct?

Jeff Nichols: I'm sorry, Councilwoman Klapp. That is correct. If we, when we first in 2010, when the voters approved this and we first set up this policy, we did it with percentages, and not fixed amounts.

Councilwoman Klapp: Was there a one-time commitment category back then? When was that created?

Jeff Nichols: Can I get back to the presentation? So as you see, it was 12% to the General Fund, 9.5% for events and event development, 4% for administration and research expenses, and 24.5% for capital projects. So no, there was not.

Councilwoman Klapp: So it was 9% for events as we show on the second chart.

Jeff Nichols: That's correct.

Councilwoman Klapp: And I'm assuming the one-time commitments of \$500,000, it could have been spread, it might have been added to the events but it could be spread through several categories; that correct?

Jeff Nichols: It could go to anything but the General Fund category. It could not go to that category.

Councilwoman Klapp: Okay. So beyond that, what was the General Fund category supposed to be back then?

Jeff Nichols: The General Fund was at 12%. 2010.

[Time: 01:27:52]

Councilwoman Klapp: So based on what we originally intended to do, I'm okay with the column on the right. I had assumed that this was the agreement of the, of the CIP committee, when we came here tonight. I'm hearing as Councilman Phillips said, there's some slight disagreement, but I'm all right with leaving it as it is on the second column, as he mentioned, if somebody wants to tweak it a bit, that's okay. I don't think we need to change it very much, because that's what the original intention was when we first received all the tax dollars back in 2010.

Jeff Nichols: Mayor Lane, Councilwoman Klapp, I agree. The one thing, you know, that if staff is going to receive direction, on any of this, it would be, you know, if you want to a percentage of that one-time, that \$500,000 that was set up.

Councilwoman Klapp: We could easily carve it out somewhere.

Jeff Nichols: I believe you can.

Councilwoman Klapp: A little bit from a couple of places maybe.

Jeff Nichols: Or we could live with this policy for a period of perhaps one year and then when we come back with financial policies in the fall, which we will do, we can look and see how this is working. I think one, one question we were trying to answer is why was the undesignated fund balance building up so rapidly and becoming so large and it was certainly attracting attention of a lot of people.

Councilwoman Klapp: Right. So I believe we ought to do something now rather than later. It's building up because we haven't, we don't have this as part of the percentages. It's a dollar amount. So my recommendation would be if there's real need to have a one-time commitment category, we could take a couple hundred thousand from a couple of categories to do that, but we originally said that this would be 12% allocated to the General Fund.

I would like to leave that one alone. I think it should remain as it is, because I don't think we should be ignoring operating costs that are associated with capital projects. And I think the 8% that's allocated currently is certainly not helping us at all, that we should be recognizing that there are costs that are in our operating budget that we need to recognize and increase the amounts that are available through the, through the tourism funds for the operating budget, and if we need to put another \$500,000 over there for one-time commitments, and I'm not sure why we need that category, but if there's an abiding need for the Council, I'm okay with that. I have wouldn't change the General Fund category. I think the 9% is what was intended in 2010, and beyond that, if we could find a way to put \$500,000 back over some where that's okay with me. That's pretty much my input into this.

Mayor Lane: Thank you, Councilwoman. Councilman Smith.

[Time: 01:31:05]

Councilman Smith: Thank you, Mayor. I don't want to repeat the things I said before, but to add some understanding of why the 500,000 wedge of money was put in there, actually, I have think it was Councilwoman Milhaven at the time, and I applaud her for this. There ought to be some flexibility in this spending array of monies that, that allows for fluctuations in the revenue stream from time to time and that's what that 5% was.

If somebody wanted to spend it for events, by all means spend it for events. It just can't be committed on an ongoing basis. This has the effect of committing it on a permanent basis. And we can find ourselves without that flexibility going forward. I think, you know, to clarify, did I support this, yes, I supported many and most aspects of this, when it was discussed in the subcommittee. I think the CIP should be responsible for the projects that it builds and what their impact will be. Yes.

Do I think that debt service should be number one priority? Yes. Do I think some of these should be on a percentage basis? I think I probably thought that was OK too, until a realized that doing so is going to basically give a 50% increase to the General Fund and a 66% increase to the administration and research and the events is go to go up that, by 40 or 50%, and as Karen Churchard said, we don't even really know how we are going to spend this. If you give us the money, we will figure that out.

I'm not persuaded that because this fund has a lot of money we should find four different reasons to dip into it, particularly when the consequence of that will be that we have just lost one tourism project worth \$15 to \$20 million. If we approve this, it's gone. I don't know what the project is, but we won't see it and that's the biggest problem I have with this entire proposal.

[Time: 01:33:25]

Mayor Lane: Thank you, Councilman. You know, in view of the fact that the original, going back to the July 72,010<sup>th</sup> Council meeting, where we did establish the breakdown as Councilman, as Councilwoman Klapp just indicated, I think it's important for us to reflect back on that and that does indicate the event and the event development at 9% and the General Fund at 12%. I think both of those figures are certainly things we can live with or I can live with as far as that goes.

As far as the one-time commitment issue, when that discussion took place in 2010, one of the, and it was Councilwoman Milhaven who brought up the fact that it would be good to have, what we didn't really anticipate was the extension of carry forward funds that were going to be able to be used for one-time commitments. The argument at the time, at least expressed by myself is that this would be smaller capital projects that we would be able to use those funds for, but obviously, it would be open to any number of things I suppose.

So I wouldn't really have any heartburn with losing that half a million for the one-time commitment. Because I think if it's a matter of policy, and I may ask the city manager to weigh in on this, we do have carryover funds. That we cannot use for long-term, well, not for bonding purposes anyway. We can use them, even if they are just unused in that category. You know, I'm talking about the percentages that we have indicated right here. If they are not allocated toward some kind of, for debt service on existing and/or for prescribed debt service for a bond issuance, using these funds, those funds can stay in a separate account for one-time capital projects and I suppose the same thing could be applied to each of these categories. They would be in control of their own destiny as they move forward.

They don't necessarily, they don't use the funds that their carryover and used for one-time use. I'm not necessarily sure in each of the categories how that might work out, but I think it's fair to say that the one that stands as a definitive item and that's the General Fund of 12%. That goes into the General Fund irrespective of any, there's nothing left over in that. That just goes in. As far as the events and event development, whether \$1.7 million is spent each and every year is entirely up to what our schedule holds, what we feel are valuable projects to minister in that way. And each of the other categories, and certainly in the capital tourism, the capital infrastructure items, we do know there's going to be a carryover in that, if it's not used for debt service or it's not used for a one-time application of funds. I don't know what our policy associated with this actually tells us. I hope that's clear enough to get at least a little bit of input from yourself.

[Time: 01:36:36]

City Manager Jim Thompson: Mr. Mayor, members of Council, a couple of ways you can handle that. At the end of the year, whatever is remaining from all the categories with the exception of the General

Fund and others which would be swept to those funds to absorb the costs associated with the projects built by the fund. And just so we are aware, that I have not seen the true cost to county associated with project costs that have been built over the year in the tourism fund but knowing the projects we have out there, may it be WestWorld or the giants stadium, or many of the vent ewes we have, the costs, you know, the waste management open, all of which those costs probably far exceed what that 12% is, on an annual basis, the cost that goes to providing the operations. If the costs had been borne by many of those, no. Again, the 12% probably rationalized it a little bit better.

If we were to look at the two costs, I would suspect that number to be greater than the 12%. In fact, probably absorbed all of it, if not on balance-wise. So again, that's one. So the 12% of it would go away. The rest is remaining. If you don't spend it in those categories, would you close it out to the fund balance and it would be undesignated reserve balance and so even though it may be classified as 9%, going to this potential this year for special projects, if we only do 7% in special projects, the 2% at the end of the year would close out to undesignated and unreserved fund balance. May it be capital or otherwise.

Mayor Lane: Yes, I think really, I mean this is a program, of course we have seen it before, as it was recommended. I'm, and particularly in view of our original allocation percentages that we originally indicated, I can get comfortable with this, but I am very, I can be uncomfortable, I'm somewhat uncomfortable with the idea that carryover funds can just be used in any way, shape or form. I'm wondering if it's not even something to go to operations of some of the facilities that the city bears on some of these items. The carryover funds. Unfortunately with, that there's a recurring and dependency on the funds that's not recurring from one year to the next. That's something else again.

[Time: 01:39:12]

Jim Thompson: Mr. Mayor, again, I think you could through policy dedication, if you said it goes into that category, it could remain in that category and available as kind of a set aside. So an example of 9%, if you spent 7%, you have 2% of that allocation remaining for special projects and next year you could say, all right, you will get your 7% or 9% of the revenue this year and the 2% carry forward from last year and we could reinstate carry forwards. I'm cautious of that because times change and I think leaving at the decision of the Council, it allows us that flexibility. If we designate it to that one category, then we do special projects just to spend the money when that may not be the best use of the money.

Mayor Lane: And I certainly appreciate what you just said. I'm not sure what the answer is to make it more comfortable one way or another, but I certainly do appreciate what you just said. With that, I would support the proposed tourism development fund allocation as is recommended here. And I'm not sure what qualifier I would put on it in view of this discourse right there, but I can work on this. Councilwoman Milhaven.

[Time: 01:40:39]

Councilwoman Milhaven: That was kind of where I was going to go. Right. So I went back. So

since 2010, we have revised this policy three times. So it seems to me that if it's not exactly what we want it to be, we'll change it as we go along. I think moving to percents is important and I think everybody said that, and being able to take any leftover and leaving it in the tourism fund for tourism purposes, but for whatever future Councils decide that carryover should be used, I think giving that flexibility is a good idea and I think to the point that we brought up that we need some flexible thing, I think that way of using the carryover gives it, applies, allows that flexibility. In maybe to move things forward, I will make a motion to adopt it, and if any of my colleagues want to amend it to address some of their concerns, maybe this will move the conversation forward.

Vice Mayor Korte: Second.

Councilwoman Milhaven: So I'm making a motion to adopt Ordinance 4330.

Councilwoman Klapp: Second.

Mayor Lane: Would you like to speak further?

Councilwoman Klapp: No.

Mayor Lane: We do have a couple of other comments that are looking to be made if they are still on deck. There's just, I'm going to take a little privilege here and just say one thing that I'm concerned about, when it comes to the capital projects side. Obviously each and every year we do not use some amount of that, until it's eventually put to some kind of debt instrument and that's support. So the residual from that category, somehow should be prioritized for, and I would almost ask if this can't be considered to prioritize those monies for capital projects. Is that something that you might consider in your motion?

Councilwoman Milhaven: Well, you know, in as much as....

Mayor Lane: Even if it's to pay down debt.

Councilwoman Milhaven: I think we leave that to future Councils to decide.

Mayor Lane: Okay. All right. Just a suggestion then at this point. So I will let it go at that. And Councilwoman Littlefield.

[Time: 01:43:05]

Councilwoman Littlefield: Yeah, I like the idea, but I like leaving the flexibility of having that residuals in an unreserved account for future feeds because we don't know what that may come up to be and kind of like tonight, we needed some money. If we didn't have anything else, we would have a residual we could use for the stadium or anything else that would come up or to pay down debt. That's a great, great plan because that frees up money the next year.

So I kind of like having it all go into an unreserved fund balance account which we could tap into if we need it or let it grow if the economy drops and we don't collect as much money one year, as we anticipated. Then we would have a reserve fund in there that we could use and buffer the need. And so I like that. I think that's a very conservative thing to do. I think it's a very practical way of using that money. Thank you.

Mayor Lane: Thank you, Councilwoman. Councilman Phillips.

[Time: 01:44:08]

Councilman Phillips: Thank you, Mayor. I was going to make the motion and I totally agree with Councilwoman Milhaven on that. And Mr. Thompson's explanation, I think really hit the nail on the head, and that's what we were looking to do. I really don't have anything more to say on it. I was going to make the motion and say the same thing. If somebody wanted to make an amendment, go ahead, but Mr. Nichols' comment that we can always come back to it. This is the fourth time, so let's do this for a year or two and see how well it works out. We can always go from there or the future Council can look it over. This last time was 2010. Things were different back then. It was a totally different economy. Costs were a lot less. Things change. Costs change. I think going forward, this is probably our best result right now. So I'm looking forward to how well this works out.

Mayor Lane: Thank you, Councilman. And with that, there's no further requests to speak on the subject. And I made my note to the file. And with that, all of those in favor, please indicate by aye and register your vote. Aye. Motion passes 6-1 with Councilman Smith opposing. Thank you very much to the staff. Mr. Nichols, City Manager for the help in that all the way around.

#### **ITEM 18 – MONTHLY FINANCIAL UPDATE**

[Time: 01:45:43]

Mayor Lane: Moving on to our next item, which is the monthly, oh, we have Mr. Nichols back with a different file in front of him. But with the monthly financial update. Mr. Nichols, welcome back from your short.....

[Time: 01:45:58]

City Treasurer Jeff Nichols: Thank you, Mr. Mayor, monthly financial update as of February 28<sup>th</sup>, 2018. General Fund operating sources, fiscal year-to-date, we are enjoying a positive favorable variance in the amount of \$6.9 million. You see the various categories there. Some of them I have shared before, state shared revenues, is positive. We are running a little bit better than budget figures we got from the Arizona League of Cities and Towns. Property tax is just a spread issue. We based it on the last three years of collections.

It's going a little bit different this year. Some of the areas license and permit fees, that's mostly due to our fire contract and providing ALS services in the ambulances and so we are providing 100%

recovered from those calls, however, those calls, that issue is under dispute. You see interest earnings, we're fortunately in, we're in a rising interest rate environment. It's great for our investments, not so great for issuing debt. Some the transfers in, the water fund is doing better than we had intended and when their increased revenue from water sales increased and the transfer of the in lieu to the General Fund comes in as well. And that increases.

Some of the sales tax for the General Fund operating services. Again, the real thing I would like to say about this, that \$2.1 million favorable variance, it's due to the continued unpredictability and the timing of when we receive these monies from ADOR. It's time to understand it. I would say, though, in two areas that I think we are seeing just increased revenue, and one is in the rental category. You see \$1.4 million favorable variance. Increased in personal property rentals. We are seeing that.

We will probably enjoy that automotive \$1 million favorable variance. Because the dealerships that said they were moving out to the Salt River Maricopa Indian community, moved later than anticipated and we enjoyed some increased revenue from that. I will get back to personnel services.

[Time: 01:48:15]

What I would like to focus on is contractual services. I don't want to go into a long, out of 11 of the 12 departments had a favorable variance in this area of contractual services. It was 100,000, 200,000, but fully 92% of the departments are under spending in this area. Capital outlays, we have had some things go bump in the night that had to be addressed, and by both facilities maintenance and fire, and I have talked to you before about the transfers out in this area due to the rawhide wash, using some of the unreserved, undesignated fund balance for rawhide wash and Reata Wash and transfer to the downtown cultural trust for an agreement we entered into and they had credits on the books.

So we had to make that transfer out to the downtown cultural trust and that increased that negative variance. Looking at the salaries area, really want to focus just on, again, we continue to enjoy salary savings, filling positions for less than budgeted. We have some savings, or actually unfavorable variance in retirement and that's being caused by the \$1 million payment we had for the interest earnings and in the hall parker case. I would like you to note too, you see the difference between the 17/18 actuals and the '16/17 in the retirement. A little over 7 million of that was caused by that case.

But we're also now paying increased retirement costs, the split between what the city pays and the what the employees pays has changed because of that case. So we are seeing increased costs in retirement going forward. Most of the divisions, again, with the exception of fire operating within their current budget, public safety fire is having some issues related to overtime and it's the constant staffing that's driving this. They have to fill seats on the trucks. They don't have a choice when they have, you know, as many people as they have out right now for various reasons. They use overtime to fill those seats and pay those people. So I heard a good line tonight and the good news is we are bringing in more revenues than we are having in expenses. So overall, we are seeing a positive variance of about \$5.6 million. Or \$5.8 million above budget and with that, I will be happy to take



any questions you may have.

Mayor Lane: Thank you, Mr. Nichols. We do I have a comment or a question from Councilman Phillips.

[Time: 01:50:46]

Councilman Phillips: Thank you, Mayor. Going back to the retirement and the discrepancy between the two. I don't know if you want to answer it or the City Manager. I was wondering if in the future we will have some Council discussion on that. Is that something we will be able to fix or is that something we have no live with or how will that work out for us?

City Manager Jim Thompson: Mr. Mayor, Councilman Phillips, as, well, at the start of the meeting, I don't know if you saw the fire chief come back and hand me a report, but it's a draft report of the question that we asked more recently. Where are we actuarially with the fire department, with the potential for a large portion of the department to retire in 2024, and 2025. I have a draft report which I will be consuming this evening and tomorrow. So we will be having that discussion in the near future here associated with in particular fire, because I think that's the one where, although we're funded 100% today, because that's the one where we are funded 100% today because of that large time frame from taking over in 2005, and 2025, when 66 and two-thirds of the department can retire, that will change that dynamic immensely. The point that treasurer made, Mr. Nichols, associated with the pension is specifically related to police and fire and public safety. Those cases, the case of your civilian workforce which is under ASRS, that's a match. It always has been.

If it's the employer's portion is 12%, it's 12%. Where in police and fire, they set those at lower amount for the employee, and it's set and then extra, everything else then gets applied to the employer, which is us in this case. So those are the ones with the growing amount of concern. So we'll be coming back probably in the next month during the budget process for sure to have those discussions. I think you will see some designation of potentially recommendation of the fund balance to start to address some of those that will hit us in 2024, or 2025, and 2026. But as noted, I just received the report at the beginning of the meeting. So I will consume that in the next day or two, and come back with a recommendation to Council of how we start to look at that.

Councilman Phillips: Thank you. If anybody can come up with a solution, it will be you.

Jim Thompson: Thank you.

Mayor Lane: Thank you, Councilman. Mr. Nichols, on the issue of the pension plan, first I suppose, pension expenses, I should say, under fire. You gave some explanation as to why, is that a one off situation as you described it, or is it a continuing perspective issue for us in that area?

[Time: 01:53:49]

Jeff Nichols: Well, both, Mr. Mayor. It's the \$7 million payment we had to make to the individuals.

We made that payment to them, if you recall, I believe, in August. We got credited into our account with PSPRS for the payment we gave back to our employees and it had to go that way. It had to go back through the payroll system because we shouldn't have been withholding those amounts.

However, because of that ruling and we had to revert to some earlier cost shares with employees, the amount that we are paying or expenses going forward will increase as well. And so we will see those increases and they are significant when you look at the employees being capped at 8%, regarding their retirement contributions and then the city actually paying in the neighborhood upwards of, I'm looking towards Ms. Doyle but I think it's above 40%. So for every dollar we pay in wages, we pay over 40 cents into the retirement fund. For police officers. And so the impact of that decision will increase our ongoing expenses. So we had the one time of about \$8 million and it will impact us going forward as well.

[Time: 01:55:09]

Mayor Lane: Okay. Along that line, we had some state legislation that was passed that did make some changes, presumably to try to assist in fixing this situation. My understanding was that obviously ASRS is a separate issue, as far as most of us are concerned, because it's already a split, but with, with the public safety retirement system, it, it has been heavily weighted towards the taxpayer paying a much higher percentage. Did that not get changed to a 50/50 split from going forward or is that.....

Jeff Nichols: It did.

Mayor Lane: And how long has that been in effect?

Jeff Nichols: Well, it started July 1<sup>st</sup>, I believe, of 2017. So anyone that was hired after that date is I think the date you are looking for. And what we are hearing, at least what I'm hearing from the human resources department because they can choose between the deferred compensation plan and the defined benefit plan, and 100% of the people are picking the defined benefit man.

Mayor Lane: Yes, that was my second question, actually. But the 50/50 split and whatever contribution is made only affects new hires and that's in place for less than a year.

Jeff Nichols: Correct.

Mayor Lane: So if there's any beneficial effect to that for the taxpayers, we haven't seen that yet?

Jeff Nichols: We may see it 20 years down the road, just like we see the fire department coming up 20 years down the road.

Mayor Lane: Okay. So the total amount, though, for new hires will be a 50/50 split, as far as the contribution?

Jeff Nichols: That's correct, Mr. Mayor.

{Time: 01:56:48}

Jim Thompson: Mr. Mayor, if I may add to that. That's correct. That's consider the Tier 3 employees which are termed under the stay law. And, in fact, under the actuarial study, right on in 2038 is when we start to see the reverse effects of the Tier 3 taking place. So it's exactly 20 years from this year. So 2038, according to the.....

Mayor Lane: Great guess, Mr. Nichols.

Jim Thompson: From the report that I have been starting to absorb.

Mayor Lane: That calculating mind. I'm glad you pointed that out. In any case, it will be a long time before we see anything on that. And on the other side of it, which was a hopeful, upon hopeful event are people with just essentially taking that decision, are they being counseled to go that direction?

Jeff Nichols: Well, I believe there's some people are doing it on their own volition, and some are counseled. When we have employees coming into the city and look at what health insurance to take. And when they get a choice, I think the normal question is, well, what are the majority of people are doing and they point and they say 80% of the people will do this. And they go, I will do that then.

Mayor Lane: I got you. Very good as far as that is concerned. That's the extent of my questions. I don't see any further questions right now. One thing, I suppose, just occurred to me. Have we had any greater development with regard to the breakdown on our revenues coming from ADOR under the system as it exists now?

[Time: 01:58:21

Jeff Nichols: Mr. Mayor, we are looking at that, and this coming fiscal year's budget, we asked for another senior sales tax auditor. While ADOR is providing collection for us, they are not providing much else. So we are finding really, the data we get from them, we have to stay on top of that. So we will continue to do that. We are finding hints and misses or people that had stopped reporting and we are working with those people to begin reporting again. There's all kinds of issues that we are dealing with. But staff continue to deal with them on a day-to-day basis.

Mayor Lane: I heard you give us qualifiers on any analysis and I want to thank you very much this is very beneficial to us, but sometimes when the data is a hit or miss, or it's a timing issue, it takes away a little bit of analysis that you certainly are able to do with regard to our sales tax projections and otherwise, much less what we may be looking at ourselves.

Jeff Nichols: Right, and we are, Mr. Mayor, we are looking going forward because we will need a few years of data before we can really, you know, hone in on what we think we are going to get from

ADOR, and when we're going to receive those monies, what month we are going to receive them in so we can do this analysis.

Mayor Lane: Are we still in a multimillion dollars delay of certain sum of money that is permanently displaced by the 30 to 60 days that we previously have to contend with?

Jeff Nichols: Yes when they first took over at the end of the last fiscal year, there is a missing piece that we will not see, in my opinion, the only time we see that if we ever take over collections from ADOR and we start collecting it again. That's when we would catch that tail, if you will.

Mayor Lane: Or to the end of time and everything else is done. Thank you very much. That does complete our agenda, the Regular agenda items. We have no further public comments and no citizen petition.

### **MAYOR AND COUNCIL ITEMS**

[Time: 02:00:28]

Mayor Lane: Mayor or Council items? Yes. Councilman Smith.

Councilman Smith: Thank you, Mayor. I do have an item, which I will just do extemporaneously here, because I didn't have a chance to get it done in writing. I would like agendize for a future Council discussion and direction to staff of the Tempe, Arizona, voter approval, which requires disclosure of all donations greater than \$1,000 to 501(c) organizations who are spending those monies on local political elections. I don't think I have to explain. Probably everybody has been reading the news. So they know what the item was, but that's my motion.

Mayor Lane: The motion has been made. Yes, you would like another iteration of that motion, please, Councilman Smith.

Councilman Smith: Thank you. Well, and I don't think I can really talk about it except perhaps in the context of.....

Mayor Lane: I think she wants to hear the motion again.

Councilman Smith: The motion is for Council discussion and direction to staff of the Tempe, Arizona, voter approved initiative, or voter approval, requiring disclosure of all donations greater than \$1,000 to 501(c) organizations spending on local political elections. The dark money thing.

Councilwoman Littlefield: I will second that.

Mayor Lane: The motion has been made and seconded. Would the second, well, actually it's not a discussible item. The motion has been made and seconded. I think we are then ready to vote on the motion to agendize this discussion. So all those in favor, please indicate by aye. Those opposed

with a nay. Motion fails 3/4, with Councilwoman Littlefield, Councilman Smith, and Councilman Phillips in the affirmative. So thank you for that.

**ADJOURNMENT**

[Time: 02:02:43]

Mayor Lane: And now without any further ado, I will accept a motion to adjourn.

Councilwoman Milhaven: Move to adjourn.

Vice Mayor Korte: Second.

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