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CALL TO ORDER

[Time: 00:00:05]

Mayor Lane: Good afternoon, everyone, nice to have you here. I'd like to call to order the February 4th, 2014 City Council meeting. We'll start with a roll call, please.

ROLL CALL

[Time: 00:00:09]

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Virginia Korte.

Vice Mayor Korte: Here.

Carolyn Jagger: Councilmember Suzanne Klapp.

Councilwoman Klapp: Here.

Carolyn Jagger: Bob Littlefield.

Councilman Littlefield: Here.

Carolyn Jagger: Linda Milhaven. Absent. Guy Phillips.

Councilman Phillips: Here.

Carolyn Jagger: Dennis Robbins.

Councilman Robbins: Here.

Carolyn Jagger: City Manager Fritz Behring.

Fritz Behring: 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.

Mayor Lane: Thank you. Some items of business. We do have cards if you would like to speak on any of the items that are on the agenda or for public comment. We do have written comments. The first one was white card, that's for speaking. The yellow card is for any written comments on any of the agenda items and we will be reading in the course of the evening. We do have Scottsdale police officers right straight in front of me if you have any need for assistance from them. And the areas behind the Council dais are reserved for Council and staff and we have facilities under that exit sign for your convenience.

PLEDGE OF ALLEGIANCE

[Time: 00:01:21]

Mayor Lane: Today we have representatives from the second and the third grade of Christ Church School to lead us into the pledge and they are here with their teacher Kim Westfall. If you would like to come up to the microphone and lead us in the pledge, if you can, please stand.

Christ Church School Students: I pledge allegiance to the flag of the United States of America, and to the republic for which it stands, one nation, under God, indivisible, with liberty and justice for all.

Mayor Lane: Very good. We didn't even really need the microphone. But please go ahead and introduce yourself and maybe you can tell us what your favorite subject is.

Christ Church School Students: My name is Lauren, and I'm in third grade and my favorite subject is reading. My name is Heather, and my favorite, and I'm in second grade and my favorite subject is math. My name is Jack, and I'm in second grade and my favorite subject is math. My name is Avia, I'm in second grade and my favorite subject is science. My name is Kali, and I'm in second grade and my favorite subject is reading. I'm Lucy and I'm second and fourth.

Mayor Lane: Very nice. Thank you very much.

INVOCATION

[Time: 00:03:04]

Mayor Lane: This afternoon, we welcome Pastor Rob Gaschler to provide us with the invocation. Pastor?

Pastor Rob Gaschler: Won't you join me in prayer? Heavenly Father, we praise you. Proverbs 16:3 says commit your work to the Lord and your plans will be established. So we ask for your guidance and direction as we commit our plans to you, that you would guide our steps for our great city, for our Mayor, Councilmembers and the plans that are set before you. And I pray in Jesus' name, amen.

Mayor Lane: Thank you, Pastor.

MAYOR'S REPORT

[Time: 00:03:47]

Mayor Lane: We have a little bit of a report today. Last Friday was the 56th annual Hashknife Pony Express Ride. I think we have got some pictures of it here so if you missed it, you can maybe try to make it next year. It's quite an event. We had a lot of students out there to witness the, I think it was 20 or 25 horseback riders who obviously had ridden down from Holbrook to deliver the mail. It's a tradition that's 56 years old and for whatever reason, they decided some 56 years ago to deliver the, an invitation to the governor in Phoenix, of course, to the Scottsdale Rodeo. So somehow they got it up to Holbrook to bring it on down to bring some other things too, but it's a great tradition, and it really is quite a testament to the folks that continue that history.

And so this Saturday, we also have another terrific event, which is Parada del Sol. And then later we have the Parada del Sol Rodeo at WestWorld. Consider taking part in these time honored Scottsdale traditions, remembering that we should all remember that February is our western wear month. We have western Wednesdays around here at City Hall. So we will certainly want to encourage everyone

to wear western wear. We are still making sure that the Cave Creekers have not forgotten that we are The West's Most Western Town. Mr. Behring, I see that there's no report from the City Manager's office.

PRESENTATIONS/INFORMATION UPDATE

[Time: 00:05:27]

Mayor Lane: We do have a presentation from Arizona Public Service Committee Peak Solutions Rebate. And it looks like we have Brian Biesemeyer and maybe the A.P.S. folks here with you?

[Time: 00:05:44]

Water Resources Executive Director Brian Biesemeyer: Yes, Mayor. Mayor and Council, in Water Resources' continuing efforts to reduce costs and improve efficiencies, we have been participating in A.P.S.'s Peak Solution Program since 2010. During that period, we have received rebates totaling \$500,000 for our participation. The Peak Solution Program is a voluntary program where A.P.S. customers, such as the Water Resources division help A.P.S. during peak electrical demand periods. We voluntarily reduce our energy demand and for that receive a substantial rebate. These reductions in demand occur in the summer months when large electrical demand is put on the A.P.S. network. This year, Water Resources also participated in rebate programs for installing efficient electrical energy systems, and the result was in the year 2013, our largest rebate to date, over \$153,000 back to the city. I would like to invite Mr. Vern Braaksma with A.P.S. to say a few words and then present a check to the Mayor.

[Time: 00:07:02]

Vern Braaksma: Well, we would like to thank all the citizens and business owners in the Scottsdale community for the opportunity to serve you as your energy service provider and we are proud to be known for pretty good reliability and part of it, part of the way we deliver reliable service to the city is through these load shedding programs in the peak demand season. So the Water Resources group is a very key customer of ours in that program. My colleague Joel Fisher in the back there is the account team teammate who makes all this happen with some of the large accounts here in the Scottsdale market. So this is our check to the City of Scottsdale that we are pleased to present.

Mayor Lane: I will give this right over to the Treasurer. Thank you all very much in the Water Resource Department and, of course, A.P.S. for effecting just those kinds of, oh, improvements in the reductions some of the costs that we have in a very vital and important area in the city and a costly area for the city.

PUBLIC COMMENT

[Time: 00:08:37]

Mayor Lane: Our next order of business is the Public Comment period and public comment is reserved for citizen comments regarding non-agendized items with no official action taken on these items and speakers are limited to three minutes. We have a maximum of five speakers and there will be another opportunity at the end of the meeting for Public Comment if it's needed. Tonight or this afternoon, we have three requests to speak in the Public Comments area. And we'll start with Susan Wheeler and if I understand this correctly, Susan, Dawn Brokaw is going to come up here with you. It's just that you have two names on here. It's still three minutes.

[Time: 00:09:23]

Susan Wheeler: Okay. Good evening, Mayor and Council. We don't have a check for you, but we can increase that check with this petition.

We Dawn Brokaw and Susan Wheeler as residents of the City of Scottsdale, county of Maricopa, do petition the Council of Scottsdale as follows, whereas the current outdoor lighting Ordinance 7.6.0.0 was adopted 30 years ago in 1984, and whereas in the 30 years since it was adopted, lighting technology has changed significantly, and whereas outdoor lighting today produces more light output, i.e., lumens at less wattage, whereas our current ordinance relies on wattage and not lumens as the unit of measure. And whereas lighting intensity is more important in rural and low density neighborhoods and whereas the amount of light output, i.e. lumens allowed today under the current ordinance could not have occurred 30 years ago. And whereas, the current outdoor lighting ordinance is well outdated and whereas some of these issues have been already addressed and guidelines in the design standards and policy manual. And whereas, this causes inconsistency and leads to confusion in interpretation and implementation of city policies. Therefore, we petition the Council as follows, that the city should instruct city staff to revisit, revise and update the current outdoor lighting ordinance to reflect changes in lighting technology. Dated this day, 4th day of February, 2014, Dawn Brokaw and Susan Wheeler.

Mayor Lane: Thank you very much, Ms. Wheeler and Ms. Brokaw. Next, we hear from John Washington.

[Time: 00:11:43]

John Washington: Good afternoon members of the City Council, I'm John Washington. I live in the Peaceful Valley neighborhood just down the street here. I just have to say, I'm really impressed with your petition, Susie. You never cease to amaze me. I think that's a great idea. I want to interject that. I have a citizen's petition for you also. Mine is not worded as nicely as Susie's but I hope you will heed it just the same. Scottsdale's General Plan is the second most important document that we have in the city, and it's second only to the city charter which is the organic law of the city. It's our constitution. The General Plan is our master policy document for the city and it's primarily focused on land uses which, you know, land use is really what makes Scottsdale different from every other city in the valley. I think it's the core of our cache, it's the way we manage our land use. We update the General Plan in 2011, however, you goofed. You let the process get out of control, and the voters rejected the update. A second attempt at the update is underway now. It's not out of control now.

It's a train wreck. You abdicated your responsibility to an outside organization who selected the process and selected the participants for the update, and some of those participants don't even live in Scottsdale.

You sat back as the task force spirals out of control and you even excused the behavior of the members who have been the most offensive in one case, one of you even congratulated those members. Task force member Loren Molever publicly attacked other members of the task force like poppycock, farce and sham. Why did he do this? Because the other members wanted the minutes of a previous meeting to reflect what actually happened at the meeting. That's what he took umbrage with.

Four of the most experienced members of the task force resigned. Four of the most experienced citizens of Scottsdale and most experienced volunteer public servants, they should have more factual information with the task force even than staff did. Mayor Lane, the City Council and the General Plan Task Force all formally adopted Scottsdale leadership's principles of civil dialogue. Some of you have complained mightily when faced with lesser criticism than Mr. Molever directed at his colleagues. I'm thinking of Councilwoman Milhaven off the top of my head. I'm reminded of the words of Councilman Robbins, I certainly wouldn't want my children to behave that way. I wouldn't want the Council to behave that way or Commissioners. And if I may have one more second, in fairness to Councilman Robbins, he was actually speaking out in favor of a commission member's right to disagree with a Council. This is a different case. This is a task force member attacking other task force members. I hereby request that the City Council remove Mr. Molever from the task force. And I will leave this with the Clerk. Thank you.

Mayor Lane: Thank you, Mr. Washington. Next with Kathy Littlefield.

[Time: 00:15:27]

Kathy Littlefield: Good evening. My name is Kathy Littlefield, and I live at 8926 East Sheena Drive here in Scottsdale. In the last four years, Scottsdale voters have rejected Council initiatives at the polls three times. The previous General Plan update and the bond request of 2010 and 2013. You have only yourselves to blame for this string of embarrassing defeats. In each case, you in the Council majority tried to force field policies to Scottsdale residents that were not in their best interest and they rightly voted to reject. Now, in the wake of the resignation of four members of the General Plan Task Force, I have heard a great deal of concern that there will be another contentious campaign in this fall's election to deliver whatever General Plan update this task force presents to Council for the ballot this would be another embarrassing defeat should this Council majority leave things as they are. Unless you radically change the process by which this update is being developed, these concerns are probably justified. If the 2014 General Plan update process continues on its current contentious path, I predict the voters will see through another expensive special interest campaign of hype and spin and reject it again. While most of the discussion has been about the uncivil behavior, which came to a head on January 6th at the task force meeting, I believe the more critical issue to Scottsdale is what led to that discussion in the first place. That was the concern raised by the task force members who subsequently resigned, that the minutes were not accurately reflected and the content

or the conclusions that the professionals on the economic panel discussion made at the previous meeting were not presented correctly. This was the final nail in the coffin that convinced those four members that the fix was in and that the task force was on a course to produce another special interest friendly update that would weaken the General Plan's protections to Scottsdale special character, and hence to our citizen's quality of life and to our successful tourist industry. If you want to forestall another contentious campaign, you need to make some immediate changes to the General Plan update process. The current task force is blatantly overstocked so you need to change that membership to correct the problem. Our General Plan needs to better reflect the concerns and the well-being of the citizens and the residents of Scottsdale. Thank you.

Mayor Lane: Thank you, Ms. Littlefield. That completes the Public Comment at this point.

MINUTES

[Time: 00:18:29]

Mayor Lane: The next order of business is approval of minutes. Do I have a motion to approve the regular meeting minutes of January 14th, 2014?

Vice Mayor Korte: So moved.

Mayor Lane: Moved?

Councilwoman Klapp: Second.

Mayor Lane: And seconded. Any comments or thoughts on it? Seeing none. All those in favor of approval of the minutes, please vote aye. The tally is 6-0, and one absent in Councilwoman Milhaven.

CONSENT AGENDA

[Time: 00:19:01]

Mayor Lane: Move on to the Consent items 1 through 12. And I have one request to speak on a Consent item 12. So let me go ahead and start with that. Barbara Burns.

[Time: 00:19:26]

Barbara Burns: Mayor and members of the Council, my name is Barbara Burns and I reside in Scottsdale and I just couldn't resist in coming down one more time to speak to you on this issue, but many employees both currently employed and retired have made financial and personal decisions based on the fact that they were able to remain on the City's health care plan until Medicare age.

For me, this is not a personal issue, because in September, I hate to admit it, I will become Medicare

eligible, though I think it's somebody else that will do it. Since I retired in 2004, I received statements on fund balances in medical leave conversion accounts which clearly stated as a retiree, you are eligible to continue participation in the city's medical plans until age 65, when you become eligible for Medicare and that was stated in all of those. As an employee, it was just part of the contractual agreement. The City then no longer sent out these letters when they paid out the medical conversion balances to employees in 2012, but this statement is basically a contractual assurance that retirees would be eligible to participate in the City's health insurance program with, of course, payment of the premium by the retirees.

And now, you are basically kicking retirees out of the plan without any regard for the commitment the city made to employees for years. So though it is a small number of retirees you are now impacting, because many of them have dropped out of the city's insurance plan because it is cost prohibitive. These are, though, still people who relied on the city's contractual agreement that they would be able to participate in the city's health insurance plan until Medicare eligible. But my recommendation to the City Council would be to blend the small group of, I think it's 35 or 36 retirees into the larger employee population for group insurance as was done for years and seems to be pretty successful. So thank you.

Mayor Lane: Thank you, Ms. Burns. We have no other comments and unless there's any comments from the Council on items, Consent items 1 through 12, if that be the case, I would accept a motion to approve the Consent items 1 through 12.

Councilman Littlefield: So moved.

Mayor Lane: Motion is made.

Councilwoman Klapp: Second.

Mayor Lane: And seconded. No further comments indicated. So we are ready then to vote. All those in favor, please indicate by aye and register your vote aye. The tally is 6-0 with one absent, Councilwoman Milhaven. That completes the Consent items. If you are here for any of the Consent items, you can certainly stay with us for the rest of the evening that we'll be here, or please leave quietly.

REGULAR AGENDA

[Time: 00:22:49]

Mayor Lane: Moving on to regular agenda, we do have a request to remove agenda item 14a which is the legislative update. And it was at the request of staff. It will be brought back at a later date. So item 14a, if you happen to be here for that item, that will not be heard tonight.

ITEM 13 – OPERATING BUDGET PARAMETERS FOR PROPOSED FISCAL YEAR 2014/15

[Time: 00:23:12]

So we'll go ahead and start with item 13, which is the Operating Budget Parameters for Proposed Fiscal Year 2014/15, Mr. Fritz Behring.

[Time: 00:23:26]

City Manager Fritz Behring: Mayor and Council, my goal tonight is to give you an update as to where we are at in the process of developing the operating budget for the next fiscal year and so I quickly want to go through a brief PowerPoint presentation and show you where we are at.

These were some of the policy items and discussions we have discussed in the past. Council is not interested in looking at a sales tax increase. We are not interested into looking at a property tax increase, except for a light increase in tax adjustment for tort recovery. At the same time when it comes to the expenditures for the upcoming fiscal budget, the Council has said that they are open to and support the concept of having money available for compensation increases for our workforce. They would like to see our staffing levels held at current levels or find savings where possible. They have agreed to an outstanding obligation that the city made in the past, that we would transfer to F.T.E.s back to the General Fund from the City Court.

That there is still continued support for the Cultural Council, management contract for the arts with the idea that there be some negotiations between that group and myself to try to limit any increases. Those discussions are underway. There has been discussion that the Council would like to see our C.I.P. contribution increase, especially in light of the fact that the voters have rejected the bond issue for capital projects.

And there's been some limited discussion on programs, services, that the city currently offers that we would like to continue to move forward with. In broad terms, the Council's goals are as follows: We will not support new taxes for the daily operating cost of the city. Our goal is to have a truly balanced budget in which revenues for the current fiscal year meet expenditures for the current fiscal year. So we do not have to rely on cash in the bank to balance the budget, that we do support the concept of salary increases, but not necessarily across the board. They have to be tied to performance. We would like to make sure that employees who are deserving of compensation increases get those compensation increases, and those that are less so are encouraged to do a better job in the future. And once again, additional money and resources need to be identified for capital improvement projects.

So where we are at today. In order to achieve those goals that were directed to and outlined by the Council, it was my estimation that we needed to identify approximately \$3 million in cuts in current expenditures and current operating expenditures. If I was able to identify \$3 million in our current spending plan, that would be implemented come July 1 of next year, we could do all of those things that you wanted to do. We could provide money for salary increases for our employees. We could operate a balanced budget without having to raise taxes, we could do those things but we have to find the savings. When this agenda item was identified, was put together a little over a week ago, we had

already identified approximately \$1 million of areas that we feel can be cut. Those include eliminating full-time positions, we have identified \$600,000 at that point in full-time positions. These are positions that don't have to be refilled going forward.

And another \$400,000, a change in our agreement with the school system for the Palomino Library. It will remain open, but it will revert back to a school library as opposed to having public hours at night. At that point, we still needed to identify \$2 million in spending cuts. I'm happy to say that in the last week, my staff has identified another \$500,000 of spending cuts that we can incorporate into the budget plan for the upcoming fiscal year. So in a nutshell, we have attacked and we have identified half of our goal already in how to bring you a balanced budget that meets your goals, that meets your needs.

It doesn't give everything that everybody wants, but it does address the goals of the Council. We are halfway there and I'm confident that we can continue to work as a staff to identify additional savings as time goes forward. But what I'm here today to talk to you about is to gather your policy input as the final decision makers who will decide what the final budget is going to look like. If there are areas of concern that you want me to focus on, I need to hear that from you. If there's areas of city services that you don't want me to look at, that would be helpful as well. Some of the areas that we are continuing to look at include use of outside contractors. There are places where we have in the past used outside contractors to perform services for us that our own in-house people can do if we reprioritize workload.

[Time: 00:28:53]

It's easy for government bureaucracy to hire an outside contractor. It's very easy to do that and I'm asking my staff to identify all of our potential outside contracts for next year and truly determine whether or not we have to go forward with that work by an outside vendor or can we utilize in-house staff. Another area we are looking at is the size of the city fleet. Our initial review shows that we have a great number of vehicles that are underutilized. And the cost to maintain vehicles that are underutilized is great. We think we could save \$500,000 a year to correct half of our underutilized fleet problem. Even if I was able to address 25% of my underutilized fleet problem, I should be able to save a quarter of a million dollars a year. These are just things nobody ever looked at in the past because until the financial crisis hit the city, nobody had to. These are things we are focusing on. What I need from you today is additional areas you would like me to look into.

Mayor Lane: Thank you, Mr. Behring. I don't know if that completes your presentation but I did have a question about the items on the fleet. You are talking about the expenditure side, I know and there was an effort some years ago to consider the privatization of fleet. And I know that there's been, they attempted to make some adjustments that I don't think were actually implemented when we talked about reducing the size of the fleet and take-home vehicles some years ago as there was some other vehicles that were not fully implemented or not implemented at all with some additional cost to the city. With regard to the fleet, you were talking about the expense side of it. If, in fact, and I don't know what kind of numbers we are talking about, you didn't allude to that. But if, in fact we were to reduce the size of the fleet on the overall and be able to sell off certain number of vehicles

or equipment, this is another thing that we looked at in the high time we bought some pretty interesting and maybe exclusive kind of equipment that we had little use for and we reviewed and considered at a point of time of turning that excess equipment that was underutilized, I'm talking about aside from vehicles to a, sell to a rental outfit or otherwise and if we need it on an as-needed basis to get it back. But the sale of those types of items would actually go back into a capital fund? Could it go back into a capital fund?

Fritz Behring: It could certainly go back into a capital fund. At this point, it would be General Fund revenue that would go back into the General Fund operation.

Mayor Lane: Just as a note, I don't know why it was but several years ago we were purchasing equipment that I said really was something we could typically and normally would contract for, horizontal diggers and that kind of thing, trenching operations that we just simply don't have a recurring use for. At least that was what was indicated at the time, but very expensive pieces of equipment that were sitting by idly and frankly deteriorating. So I would suggest strongly that we look hard at that kind of program again for both the expense side and the capital side as a way to generate some funds.

[Time: 00:32:20]

There was another item that I was going to mention, we have considered and I know we have had conversations with what we might do with the extensive number of organizations and fund-raisers that we end up getting involved with, as to whether or not we try to get back to an as-needed basis as we might attend to or participate with these organizations rather than somewhat of an extensive and sometimes underutilized membership and underutilized fund-raising tickets. I think in one category, in one department, we were looking at a total, not that it would all go away of some \$68,000. I would strongly suggest we look at that.

Another that we have talked about and I think has implications on our capital budget, maybe more so than it does on our operating budget and that is value engineering on our projects as best we possibly can to make sure that we are utilizing what standards we need to, but at the same time, make sure that we are not over designing and frankly potentially just looking for ways to utilize our capital dollars in a more efficient manner and maybe bring down the cost of that. Again, that's somewhat difficult to quantify, and I do know we have engineering contracts that may have provisions for that, but I think it would be well worth our while to look at how we might contract separately, if necessary, but if that's something that in this position of what we are looking to do, we need to do, it would be another area that we might be able to recover or certainly trim our expenditures in those capital areas. And thank you for that consideration. Councilman Phillips?

[Time: 00:34:07]

Councilmember Phillips: Thank you, Mayor. Mr. Behring, I appreciate your innovative approach to our budget this year. It's very refreshing to see. I had a question about as far as the infrastructure and excess building space, is that included in this?

Fritz Behring: One of the things that we have included in our systems next year. Our plan is we have already identified three facilities that in my opinion we can sell and get rid of. One of the comments I heard from my facilities staff when I was meeting with employees, we have a smaller workforce to maintain our building infrastructure. I made it perfectly clear to them that I didn't think it was likely to expand the workforce. The other option is to contract the number of square footage of buildings we have to maintain and operate. The reality is we do have some properties that we simply don't need to occupy anymore and we can make better use of our space in this facility, some of our other larger facilities and we have identified three buildings that we are proposing to vacate and move out of and put those properties up on for sale and put them back on the tax rolls. We feel those are the three most lucrative properties and the three most likely properties to be able to sell for private use. Obviously we are not going to sell fire stations. We are not going to sell water plants. We are not going to sell infrastructure that we need to use to maintain our operations. But if we can get rid of excess office space and excess buildings of that nature, that has been factored into the plan.

[Time: 00:35:42]

Councilmember Phillips: That's part of the \$1 million expenditure reduction?

Fritz Behring: No, that's not part of the expenditure reduction. That's factored into what we expect will be a reduction into the capital program and we'll discuss that under the capital program.

Mayor Lane: Thank you, Councilman. Councilwoman Klapp.

Councilwoman Klapp: I was also going to bring up building utilization, and you have covered most of it, but I'm thinking of the building across the street that has such a large lobby. It seems that it's underutilized space. So if you are going to close some other buildings I would think you would be able to put some more offices in that facility.

And also you mentioned fleet reduction, if you can reduce the underutilized fleet by 50%, if you want my input, I would do 50% and not 25. I think that's a good area to look at, is the fleet that we have and how we can reduce not only the capital costs but just expenses of maintaining that many vehicles for very few miles used throughout the year. So those would be the ones I would consider the important areas that you have identified.

I remember one time and I don't remember the answer to this, unfortunately, it was a couple of years ago. We had talked as a Council about whether or not, I know this is a service area and probably will be, you know, not something that some people would want to see, but in my estimation, and watching the bulk trash collection on a monthly basis, I often wonder if we could do that every other month rather than every month, or maybe certain times of the year more often than others because I know when the truck at least comes around my neighborhood, there's nothing out. So I just wonder if you have looked at any of that expenditure because other cities don't have the, as much bulk collection as we do, and there is some expense involved in that.

Fritz Behring: We will look into that.

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

Councilman Robbins: Thank you, Mayor. Mr. Behring, thank you for bringing these issues up early in the process. We really appreciate that. Two of the things you talked about already that were on my list, the real estate holdings was one of them that I think, and I know you have mentioned that before, but that's something I think we can definitely tackle and save money on and the fleet reductions as well. And then a small one that I know you have been talking about, that I support is the elimination of the executive physicals.

[Time: 00:38:20]

But I support the goal, you know, I hear it loud and clear what you are telling staff and our citizens that if we want to be able to provide salary increases, we are going to have to find reductions and become even more efficient than we already have. And I know staff has done a very good job over the last several years of becoming more efficient in tough times and, but as we have a new leadership, you know, there's always a good time for another fresh set of eyes to look at something and become more efficient. So I fully support that goal. Thank you.

Mayor Lane: Thank you, Councilman Robbins. Councilman Littlefield.

Councilman Littlefield: Well, I'm looking at your \$600,000 savings to eliminate F.T.E. positions and I was thinking you had a larger number in mind, frankly.

Fritz Behring: No, I do. I truly believe an operation of this size and the nature of the City of Scottsdale, that we can identify several millions of dollars of savings in just retasking staff and reprioritizing job duties. We should have no problem identifying \$2 to \$3 million of just staff savings over time. Not necessarily today, instantly but as we get through this budget process, that we would continuously monitor and fine tune the operation, continue to make the operation as lean and as effective as possible moving forward. So I think there's potential for additional millions of dollars of savings moving forward if we retask the operation.

Councilman Littlefield: Why couldn't that be done in this budget cycle as opposed to waiting.

Fritz Behring: I suppose it could be done if it was the desire of the Council. My own personal opinion is we want to do this as painlessly as possible. If I can take advantage of retirements and natural attrition and refocus the workforce in a kinder gentler way over time, and we still have the revenue streams that we have established, I think it's a good compromise. You can't turn an ocean liner on a dime and you can't turn a government bureaucracy on a dime either. The city is headed in the right direction. We have more room to go but I truly believe it's easy politically to sit there and say I want to cut this. I want to do this. I want to do that. Actually implementing is a whole different thing and it usually takes a little bit longer.

Councilman Littlefield: Kinder and gentler? Okay.

Fritz Behring: And more pragmatic approach, sir.

Councilman Littlefield: Okay. Good for you.

Mayor Lane: Thank you, Councilman, Councilwoman Klapp.

[Time: 00:41:10]

Councilwoman Klapp: I should have mentioned also as one other item that you mentioned you have identified now another \$500,000 that you could reduce from the budget which leaves about one and half to go. That's such a minute amount of money for the size budget that I would hope that every department understands that if they just trimmed a little bit of here and there out of their budgets, you can easily find that \$1.5 million. It's such a small amount, having worked in a large organization in the past, there's usually a little bit of money that every department knows is there, probably in case of emergencies but if it can be eliminated, it ought to be eliminated in order to get to the goal so we don't have to keep suggesting to you ways to cut the budget. It's not really our job up here to tell you where you can find the money. I really think the job is for your departments to come to you and say, here's some places that we think we can save money and find it on their own because they know better than us where the money is being utilized and where there is probably an excess that could be saved over a period of time. I think you just have to get serious to find the other \$1.5 million.

Mayor Lane: Thank you, Councilwoman. Fritz, thanks very much. It was a great presentation. We do have one comment, testimony from the audience, but before that, I just wanted to say one of the things we found in the years gone by is a real concern and I frankly, I think under your management and supervision and your staff as it is today, we will probably not run into this. And that is a tendency to defer some costs which catch up with us later. I would suggest strongly whatever we do since we wanted to carry forward year to year, that these are structural changes in the budget that might be presented to you in these savings. Now, just that word because of our experience in the past on that, and it comes around to bite us later on.

[Time: 00:43:18]

Fritz Behring: And if I could make two additional points, the cuts I'm talking about, I'm confident that the staff, once tasked with identifying these things is able to help me identify these things. They have really stepped up to the plate. I think they are taking me more seriously about my goals of actually implementing what the Council has asked me do. And they are coming to the table with useful good ideas as to how we can do this. These are not one-time fixes. These are not one-time appropriation reductions. These are true cost cutting measures, that dollars going out the door this year will not be going out the door next year for those same functions, F.T.E. or services so we can redirect them into pay raises. We can do both but we have to do it smarter. So I take that to heart. This entire situation is very fluid. We have had additional estimates that have been provided to me by the budget office. We have to program in an additional one-time allocation of funds for the Super

Bowl costs associated with the Super Bowl the following fiscal year. We estimate those costs to be approximately \$400,000, a one-time expense. So we show that as a one-time expenditure coming out of contingency amount. We will reduce the contingency number to cover that cost.

The second item of concern that we are working on recently is the cost of health insurance for our employees and we are doing everything we can internally, structurally to reduce our administrative costs in the health department and the Human Resources department so that we do not have to charge our employees additional administration charges as part of their health insurance premiums and we are finding some opportunities for savings there too, but these are long-term real changes. These are not one-time changes because that's just a gimmick. A one-time change, if you are not going to be sincere about this stuff from the elected officials end or the staff end, the public will lose trust in us and these are long-term systemic operational opportunities that we have implement to make this a more effective operation.

Mayor Lane: Thank you. And the way we would put it is structural reduction for any kind of structural increase so they are matching one to the other. I should mention for the record that Councilwoman Klapp joined us moments after we took the roll, but that we are now joined with Councilwoman Milhaven as well. We have one request to speak on this, and it's Jim Hill. Jim, if you could come forward.

[Time: 00:46:28]

Jim Hill: Good evening, Mayor and City Councilmembers. My name is Jim Hill, I'm the president of the Police Officers of Scottsdale Association. Tonight, we are here again talking about priorities for the upcoming budget, and I ask that you consider creating and funding a competitive police department, compensation scale is one of those priorities. We recently did a public records request of the City of Scottsdale. We pulled the H.R. survey they did of all the agencies they collected and we did all the current salaries of all the, actually police department employees after the last salary adjustment and that's what we have graphed up here tonight. The red line is where we currently are as the Scottsdale P.D. the blue line is the market average. You can see we have a considerable gap. Those of who have been here a long time, we are above the average at the end of our career but before everyone decides anything rash on the fly, you need to know these are base salaries. When other departments pay, they also pay specialty pay, career enhancement pay and a litany of other additions. So when they say this is our top salary, that's their top base. They add those things open. And Scottsdale our philosophy has always been we pay a higher base because we don't worry about the ancillary charges. I don't get an extra rate because I'm a detective. We will get past that top end by Phoenix P.D. and Tempe P.D. that I know of. Right now we are pulling those records to find out how many other departments will pass that top end.

However, as we repeatedly said in our talk, starting and top out salaries are not the problem. It's how we move through, and how long it takes us to move through the ranges. This is also information we got through public records request from our own H.R. department and these are other agencies and the percent of their officers who were at the top of their salary scale. Now this is a pervasive problem in the police department. It's easy to show comparisons with police officers because it's

apples to apples and there's so many different classifications in the police departments but that's why we stay with just the police officers when we showed the comparisons, but this is throughout the police department. When it comes to the police department compensation, look at returning to the 5% merit raise system we used to have. It's not a guaranteed 5%. It's based on your performance, like it's always been. An additional rationalization, I would like to address while we are here tonight, we are told, well, we don't need to be competitive with our policing because it's safer to be a cop here in Scottsdale.

Somebody that infuriates all the police officers here and should bother a lot of people. If that's true, then, you know, it's our blood, sweat and tears that you feel that way. We had five police shootings in Scottsdale and an additional Phoenix police officer shot within our boundaries. Over the last couple of days we had several strong arm robberies an armed robbery, a home invasion, a stabbing, an aggravated adult on police officers. So if you think this is a safe place to work, you are wrong. We are no longer little Scottsdale that's protected by a magic wall. I would hope you take a look at making us competitive, and when the Super Bowl others come around next year we don't have the bodies.

[Time: 00:50:11]

Mayor Lane: Thank you, Mr. Hill. That completes the testimony on this item, and, of course, this was just a presentation. It was not a request for decision, and I'm not sure if we are talking about some additional direction or possible direction. If you got that from our comments or not Mr. Behring.

Fritz Behring: Yes.

Mayor Lane: Okay. I think you are in the right place for the next item.

ITEM 14 – PROPOSED FISCAL YEAR 2014/15 CAPITAL BUDGET DISCUSSION

[Time: 00:50:41]

Mayor Lane: So even though we have covered some of this capital discussion already, but nevertheless, moving on to item 14, the proposed fiscal year 2014/15 capital budget discussion.

Fritz Behring: One of the things we talked about earlier on in the budget process was our operating budget, the operating budget is our 12-month revenues in and expenditures out to run the day-to-day costs of the city to operate. Now what I want you to do is think about the capital program. The contributions that we have to make into our infrastructure and construction of new facilities, roads, et cetera, that are capital related and capital in nature and I want to give you a quick summary and then additionally get some additional input from the Council on this area.

The first slide shows the current capital improvement budget or program that the city has adopted. These are the remaining four years of a five-year plan. I do not show the current fiscal year F.Y.13/14

because we are already in that budget year, but those are the current projects with the dollar amounts identified next to those specific items that you have already identified and adopted as a policy of the board. What this document shows is that you are transferring roughly at this point 25% of your construction sales tax revenue into the capital improvement program, as a policy matter. Additionally, the Council's policy has been any unreserved fund balance or any extra cash at the end of the fiscal year above and beyond the base minimum that we have to have to operate, would be redirected into the capital program. So while the capital program does show that we will operate as a deficit moving forward, over the next four years, the assumption is that there will be money left over each fiscal year that we can redirect into that and we should have money to redirect into that this year.

[Time: 00:52:45]

However, as a state of policy, we do not have a revenue source tied to that every year to show, a quote, balanced C.I.P. If we ever get to a point where we don't have unreserved fund balance, we won't be able to build these projects or take care of the capital improvement projects we have identify already. The next chart or the next slide shows exactly what was.....

Mayor Lane: Excuse me, Mr. Behring, if you could go back to the last slide. We will probably take a hit at least in '14/15 at least partially as the TPT. adjustments come through and the change of the tax and the taxing methodology that the state wants to employ on construction. And so I'm presuming that that's reflected in this in each of the following years?

Fritz Behring: Yes, the impact of that is shown full year in '15/16 when we show the full revenue, from \$2 million, as opposed to \$2.5 million that we expect will be transferred next year.

Mayor Lane: Okay. That's 25% of that number because I do know that we had estimated at least at the current time that we have about \$2.5 million we were going to lose in that change that the state instituted and we are working through right now. Is that about right?

Fritz Behring: So that's been factored in. Assuming, based open the existing state law as it is. We will have less money to transfer in with the same policy. So that's already factored in.

Mayor Lane: Okay. Thank you.

Fritz Behring: The next slide shows our current funding strategy, as I said for the C.I.P. and 25% of the construction sales tax and a transfer of unreserved fund balance. The next slide is actually terminology of financial policy number 18, which speaks to how we arrive at that dollar amount. It's 25% of that revenue stream. This is the policy that would need to be modified going forward if the Council was to entertain Councilmember Phillips' concept that we generate or earmark additional funds directly up front in the capital program, or we can talk about language, proposed language to that later on in the conversation.

The next slide shows what I would consider to be the highest priority C.I.P. project that we have on our

list from the bond issue and for continuing needs moving forward. When the voters said no the bond issue, there were \$200 million worth of projects not funded. I asked staff to get together, staff to evaluate all of our capital and our infrastructure, our I.T. infrastructure needs and this is what the staff came forward with as their top 12 projects. You will actually see 13 listed there because I threw the WestWorld project at the tail end because we never got the Public Art thing finished out of this year's dollars. We have to take care of that going forward for the WestWorld project. But these are the top projects out of that bond issue and our continuing need to keep our infrastructure in place.

[Time: 00:56:05]

Mayor Lane: Mr. Behring, on the idea of where our C.I.P. money may come from and I know we are all talking about the same bucket of money one way or the other, when you talk about what percentage of the construction sales tax is utilized or otherwise, but one thing that happened to us prior to the last five years, I'm talking about maybe the four years prior to that, just about every other year, we ended up redirecting funds from the dedicated sales tax for transportation at least for those capital projects more and more heavily into administration. I think the mix right now is 60/40 but it moved from some different percentages through the course of years and I realize that those monies are now, there's some dependency in administration for those monies, but it would be very interesting proposal, I think to, if, in fact, that is a transportation capital project money, to be a good place to be looking at making some kind of adjustments over time to get that more engaged with project orientation, rather than capitalization. Just a suggestion.

Fritz Behring: We will certainly look at that. I want to be clear that the full times we are talking about here are not transportation, or utility capital infrastructure. They are just General Funded, general dollars, General Fund dollars, capital infrastructure. The city spends a lot more money on capital infrastructure that we have other revenue sources for. Those are not included in this.

Mayor Lane: Thank you.

Fritz Behring: So if we were to take that \$200 million worth of projects, and had staff identify the top 12, this is the top 12 that they have provided to me, based on criteria, the backup material, that meets the goals of the City Council, that pays for itself and avoids excessive costs. These are things that we as a staff feel confident have to be addressed in the next five-year time frame. The price tag for those is over \$25 million and the question is how do we finance this, given the fact that the voters have said no to a bond issue.

One option that we have, the other two slides show just the criteria used by the staff committee and if you go on another screen to the chart, what this chart shows you is a scenario that implements the current capital improvement program. So the budget that you adopted in the prior budget process, add the top 12 projects that I talked about. This is one scenario, one of many scenarios you could choose to do, but this is about the type, the amount of money that you would have to earmark to be able to make the same cash flow. You would have to add an additional \$7.5 million a year, roughly, to our existing 25% construction sales tax money to make this thing work. You could get there by continuing to rely on unreserved cash balance.

I am expecting that if we sell the three properties that we have identified that we can get rid of and downsize the city's inventory, we should be able to recoup \$3 to \$4 million of revenue. Those funds will be dropped directly in the capital improvement program but one option would be to identify another \$7.5 million a year to pay for this stuff.

[Time: 00:59:50]

Now, my assumption is that you don't want to operate your city for years to come to pay for capital projects on current day-to-day cash flow, only a fool would do that. It's like buying a house with your annual earnings. People don't buy and invest in long-term investments like a home without going to borrow the money. And there's a lot of reasons behind that, because the taxpayers today, in the City of Scottsdale should not be paying necessarily for a capital improvement that taxpayers ten years from now and 20 years from now will benefit from. They should pay their proportion and share of that, but it should be borne out by people down the road. But the reality, as I see it is that until we change the political dynamic in the community, and the voters will actually vote yes for a bond issue, we have to do something in the interim to finance our capital needs. Our capital needs are not going to go away, because the voters said no. So that we have to deal with.

Secondly, we have to change the dynamic to give the voters a reason to say yes and I think the easiest way to do that is to demonstrate that we as a city, elected official and staff have heard them loud and clear. We are making adjustments. We are implementing practices. We are bringing to bear the tough decisions that have to be made to keep our capital infrastructure in place, and once we build that trust back with the community, we can go out for a bond issue and get a positive vote once again from the public. But these are tough decisions and if any dollars you want to take out of current day-to-day operations or earmark future revenue streams to say that if we were to enjoy additional revenues next year or the following year, above and beyond what we have programmed into our budget pending program, all of those additional revenues will be here marked for the capital improvement plan in the short.

There's a variety of ways to get there. To give you an idea of the scope, we spent the first part of our discussion talking about how to find \$3 million of savings in the operation and how long that takes. We are talking about finding another \$7.5 million of revenue to take care of our capital feeds.

Mayor Lane: Mr. Behring, we do have a request or a comment or question from Councilman Robbins.

Councilman Robbins: Thank you, Mayor. I like where you are going with this, and your summation there was what I was going to offer which was you just were looking for three million dollars of savings and you are asking for another \$7.5 million to put in our capital program. So that's a \$10 million deficit that we are starting with at the beginning of the next fiscal budget. It depends on revenues, I guess. We are sales tax dependent and obviously that's why we push tourism, economic development to increase in Scottsdale to pay for the things that our citizens want. So how are we going to pay for this, number one? And what has been our, I can't recall exactly what our unreserved

fund balance has been. It's fairly substantial the last several years. But that's always been our policy to look at it as one-time money, one-time investments and this is more of a long term program that you are talking about. So you are laying out a plan, but explain to me how we are going to get there.

Fritz Behring: Let me just give you a hypothetical. Here's an option and I want to be clear, this is not one of my suggestions. This is something that Council could endorse or modify. First year I expect to have more cash on hand when we close our books this current fiscal year than we projected. I think we will have more cash in the bank than before I was hired. That's good news. I could easily take half of that extra cash, let's say it's \$4 to \$5 million and inject it into the capital program for next year, and I sell the three buildings, I'm successful in selling the three buildings, I already met my \$7.5 million contribution for next year. That takes care of FY14/15.

[Time: 01:04:13]

Moving forward the Council could say instead of 25% of our construction sales tax because of change in state law, maybe we should modify that policy in light of what Councilman Phillips has suggested in the past, to say we should provide 50% of those revenues and/or a minimum of \$5 million a year as a fixed allocation to the capital improvement program and then continue to expect and continue to expect that our staff would continue to wring out savings throughout the course of the fiscal year.

Once again in the end to spend money, could be redirected in the capital program. If we were to do that for 2 to 3 years, if we were to follow such a program, at some point, we are going to go back to the voters and ask them to approve a bond issue. We cannot operate this way for 50 years, but I think in the short term, we can demonstrate that we can find savings. We can find savings and operations and we can get through this stuff and once we maybe demonstrate to the voters that we are lean and as tight as we can be, we are not, quote, wasting their money as some might think we are, then I think they might be much more open minded to giving us the benefit of the doubt in voting for a bond issue. I don't think you have to have a true plan for 10 years or 20 years on this. You have to have a real aggressive program for the next three.

Councilman Robbins: I agree with that. I think that's a good approach.

Mayor Lane: Thank you, Councilman. Councilman Phillips.

Councilmember Phillips: Well, that was really good explanation. I couldn't have explained it better. I think what you said earlier, the policy we have now is that 25%, which is going to go away, because it's actually going to be less, as you show up here. Every year we are going on an assumption and not a policy. That's what I'm looking for is a policy, so the public can see we have a good fiscal policy. If we put in \$3 million a year, as a policy, and you showed over five years that we need 25 million, we are still short 10. But that shows the public that we are doing all we can and then at the same time, and politics aside, if the bond election had asked for 25 million or 30 million for the top 12 projects that we needed, I think it would have passed. So if we can do this, we get it to \$3 million a year, we are only short \$10 million, we could easily ask for that from the public and I think the public would agree that

that's a good amount to do to get the projects to be done. I think this is a really good way to go and I look forward to progressing in this manner.

Mayor Lane: Thank you, Councilman. Mr. Behring, I think this is a very good way to go and it's explainable and understandable, I think from everyone's perspective, but there's one thing I wanted to just throw out there, and I know this is a little bit of, it could be an odd ball kind of strategy, when we think about the distinction between one-time monies that may be recovered on the sale of a building or property or fleet, those are one-time monies that could be allocated and unallocated reserve funds are one-time monies not to be counted on as a steady stream.

[Time: 01:07:47]

At the same time, you do have a recognized and developed specific revenue stream with the 25% of construction sales tax, no matter where it may lay, depleted, \$2 million. That's when we were playing with the idea of where \$600,000 of a pie would take us, to about \$7 million worth of debt, debt service, of \$600,000 apiece. Could you take that \$2 million and if, in fact it works, my first question I should have led with, of the \$25 million, what's the life span of that kind of work? Is it true capital improvements that would have a typical, at least, 15 to 20-year life? No, it's not. So it's not a long-term capital item. So, I mean, this may not apply. There may be instances where using a revenue stream like this might facilitate the ability to cover, yes, some of the longer term capital needs.

Fritz Behring: You know, one other thing and I will just throw out here too. I know Scottsdale has a long history of free parking downtown and free parking in the city. I'm not advocating that we change that policy, however, it's something that we should consider, I think, moving forward. One of the items that was on the list for voters to approve was a parking ramp and I think we may want to consider looking at moving forward and letting the private sector build parking ramps and charge for parking, not to take away anything that's already free in the city but if the private sector wants to build a parking ramp and they want to charge for it, I certainly don't see how that's a bad thing. And that takes a \$10 million project off of our list of public infrastructure that the public can benefit from too in the future.

And that's something that, you know, those are the types of things we have to look at differently going forward. I do believe that you are going to see that there is interest in the private sector out there for those types of things and that they are willing to contribute for those types of projects if they had the ability to recoup their investment and then the citizens can decide if they want to park in the free parking spot on the city street or a free parking spot in the city garage or park in a for profit or private garage someplace else. Those are the types of things we have to look at going forward.

Mayor Lane: That goes to demand, of course.

Fritz Behring: Exactly.

Mayor Lane: Comparison between free and pay is only good if you are searching for that free for

most of the evening or otherwise, but, yes, I think that's something that certainly we need to consider along that line. Councilman Littlefield.

Councilman Littlefield: Actually, I was going to say Guy already said it, 25 or \$26 million bond issue probably would have passed and now we will pay the price for having overreached on the quarter billion dollars bond proposal.

Mayor Lane: Thank you, Councilman. Vice Mayor Korte?

[Time: 01:10:49]

Vice Mayor Korte: Thank you, Mayor and thank you, Fritz, for bringing clarity to the scenario that we are in today, because of the failure of the bond package. And whether it's \$212 million or maybe it was just the \$40 million for public safety, something that in bond package should have passed. So going back to the balance between the C.I.P. contribution and operations, our initial discussion around operations, you know, we talked about vehicles. We talked about buildings, value, you know, all of those different ideas. I know we pride ourselves on the services that we and the programs that we provide here in Scottsdale and the Palomino Library is a good example of that and I look forward to seeing that come forward as far as ending that agreement. You know, maybe we feed to start not only reducing the trash pickup but maybe we need to look at reducing the number of hours our library is open and maybe we need to reduce the number of hours our senior centers are open. Maybe we need to look at the programs that we offer, whether it's Paws in the Park or Mighty Mud Mania, whatever that. Is maybe we need to look at these programs and say, okay, is, you know, what's the value proposition here? And how can we balance our operations and the program services that we provide and still support our infrastructure which we know we have deferred maintenance for years in our infrastructure. So we need some catch-up there. Thank you.

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

Councilwoman Klapp: You gave us various scenarios where the money might be found for capital, and are you wanting any kind of a policy from the Council that would relate to the unreserved fund balance, even though it's one-time money. Since I was on the Council, we have always had a fund balance and it is how we are going to divide up the pie of the fund balance. Typically we put \$3 million in C.I.P. and then we start finding other projects that could use the money. Would you want a policy from us that says that a certain percentage of the unreserved fund balance every year must go into the C.I.P.?

Fritz Behring: That would certainly be an option, but I think probably simpler, from my point of view, would be I want to paint a picture that we face, that even if you look at all of these items that we have, we are not talking about new capital construction to provide new services or new nice to have things. We have a long list of items that have to be maintained just to provide the core services to our residents, and that any dollars that we have left over at the end of the year I will advocate strongly that you dump them into this project list as opposed to a new wish list. And there will be people who will come forward, there will be citizens who come forward and staff who come forward and say,

wouldn't it be nice to have this? And wouldn't it be nice to have this? Even when the economy comes back and becomes more robust and it will and it is, the amount of money we will have to work with is nothing like it was ten years ago. And the dynamics, the paradigm has changed and we have to realize that. And so my recommendation when we have those discussions at the end of the year will be to direct the lion share or all of this into the C.I.P. program.

Councilwoman Klapp: That's what I was getting at, what percentage are you recommending? You are saying everything that ends up being in the unreserved fund balance is put into the C.I.P.

[Time: 01:15:06]

Fritz Behring: Or and also there will be exceptions to the rule when there are one-time, unique one-time expenditures that need to be made by the city where one-time expenditures, one-time revenues make perfect sense. The problem is you don't want to get hooked on the idea, and I think unfortunately for years the City of Scottsdale that we are in the boom time, people say, well, this is one-time money and let's build capital. A lot of that capital infrastructure costs a lot of money to maintain and operate down the road. You don't want to go down that road. We can't afford to.

Councilwoman Klapp: Okay. I'm with you, as far as putting as much money as we can out of the unreserved fund balance into the C.I.P. I don't know if you need to say at least 80% or something to that effect to leave some cushion for one-time emergency needs that will arise by the end of the year.

Fritz Behring: We can get with the Treasurer's office and come up with some policies, some recommendations for the next fiscal year. This is the direction that we are headed in and my direction with the Treasurer's staff, I think they are in agreement that this is the prudent way to go.

Councilwoman Klapp: Based on all I can see today, we are only halfway through the year but it looks like we might have \$10 million left that would go into the unreserved fund balance. That would be 75% of it if you use the 7.5. Right. Okay.

Fritz Behring: But we do have some one-time costs for next year's budget, such as the Super Bowl.

Councilwoman Klapp: Exactly.

Fritz Behring: And that would be a logical assumption, because it's not a recurring expense.

Councilwoman Klapp: I think you are going the same direction that I would recommend.

Mayor Lane: Thank you, Councilwoman. Councilman Phillips.

Councilmember Phillips: In the past, we have had this policy of an unreserved fund balance and what is an unreserved fund balance? For the public, that's extra cash left over, and if I was Mr. Q Public and saw, I wanted to see you have 10 million extra dollars that they didn't allocate, maybe that should be a rebate check. We should have policy in place that there isn't any money left over because that's

basically saying we overtaxed. So I would like to see and maybe not this time around, but in the long run and eventually to the point, where any kind of unreserved fund balance has gone, because that money is already allocated from the beginning that if there is something left over, it goes to something. It's not something for us to play with.

Mayor Lane: Thank you, Councilman Phillips. Councilwoman Milhaven.

[Time: 01:17:40]

Councilwoman Milhaven: I would certainly like to find every incentive for staff to continue to cut expenses. So I'm not sure rebating is a good idea when we have such dramatic needs. Mr. Behring, in the past, we budgeted \$5 million a year as contingency and I don't recall that we talked about that. What are your thoughts about moving forward.

Fritz Behring: Based on spending trends over the last several years, I'm more than comfortable of budgeting \$3 million of contingency as a line item for the contingency. The risk is that if we have, if we do a poor job of planning in the budget process, we could have unexpected things that arise and there will always be things that arise that we don't expect. But I think to budget \$5 million at a time like this is unrealistic given the track record of where our spending has been.

Councilwoman Milhaven: So the \$2 million that we are still looking for already takes into being reducing the contingency.

Fritz Behring: I already reduced the contingency to what I consider a realistic number.

Councilwoman Milhaven: What I heard you say was a policy that looks forward and not backward might be a good idea, that if we've got a \$5 million contingency which is in the event of an emergency, we've got money to say our expectation is we not spend that and then the following year that money get applied to reserve, to capital projects. So what you are saying now, it's about \$3 million there.

Fritz Behring: For the current fiscal year, the projects we had to do on the parking ramps, I think that's a perfect example where you have to put the money into your infrastructure, because if you don't and you kick the can down the road, you are only kidding yourself. It will eventually come up and bite you and so look at it this way, we are taking the \$2 million we saved out of the contingency line items and rejected it to capital where it belongs as opposed to a what if fund.

Councilwoman Milhaven: And then whatever policy we say should tie in the contingency, saying unspent contingency then gets to.....

Fritz Behring: No, no, if I left the contingency in next year's budget, I would have a bigger fish to fry. I would have \$2 million more I would ask you to help me identify. I don't think I need that \$2 million, between 3 and \$5 million for the contingency item but I need a more realistic focus on what we are putting into capital. So the money set aside for a potential boogie man down the road or real infrastructure needs that we know exist today, this makes sense.

Councilwoman Milhaven: Thank you. In terms of just my two cents, some of the things I might think about in terms of trying to find money. I know in business industries, there are often open positions that are open for a really long time that go unfilled. What would be the impact of closing a position that doesn't have a person in for the last 90 days. What type of discipline would that type of a process create?

And then second, as we look at these lists, you know, we have a history of building some pretty spectacular things and I'm sort of thinking about the fire station here at the corner of Indian school and Miller as a really beautiful piece of art and architecture but I know we have many more modest fire stations that are much more cost efficient. They certainly fill the need but are more efficient and a better value. So I might challenge the staff to go back and say, is this the Rolls-Royce or is this the Chevy? I think we need to get to a place where we need to meet basic needs and do it at the Chevy level and perhaps be able to

[Time: 01:21:36]

Fritz Behring: Maybe we could.....

Councilwoman Milhaven: Maybe the Ford level.

Mayor Lane: Well, that's somewhere in between.

Councilwoman Milhaven: But to rethink these projects could we meet the need in a less expensive way. Thank you.

Mayor Lane: Thank you, Councilwoman. You know, not to bring in maybe a difficult point that we are going to have to address, that is going to be a challenge to us further on, with all of this that we are wrestling with and that's how we are going to respond to the requirement in the fiscal year 2015 with the balance sheet disclosure and frankly the balance sheet addition actuarial unfunded balance in our pension plans as will be distributed from the A.S.R.S. That was one time \$349 million, more recently it's been a lesser number. Of course, with the 7% drop in the stock market since January, we are probably looking at somewhere in between, even though \$300 million deficit in that area at that 8% discount rate that may be challenged too. But I don't know what our response is going to be and I think we should be prepared for that, as to how we are going to tackle that. In view of what has happened to so many cities across the country, with regard to that liability and frankly, the disastrous approach has brought on some of their financial conditions to the point of bankruptcy. I think it is something we need to at least be thinking about, how do we address that and what are our responses going to be and are there mechanisms for us to adjust to that? And as I say, answer to it. So I just throw that out because it's a big number and, you know, everybody I talked to on the municipal level, some have a far larger number than ours, it's going to be ultimately put on their balance sheet in the liability section, front and center as to how they will respond to it. So ours is not ,it's bad enough as it is but nevertheless, this will be a lot of communities trying to look for answers on that. So it's something we have to at least consider as well. Vice Mayor Korte.

Vice Mayor Korte: Thank you, Mayor. Let me ask you about a couple of the projects on your priority list. If we go down to Indian Bend Wash Lake, which lakes are we talking about? I know we put a lot of money into the big Chaparral Lake a couple of years ago.

Fritz Behring: I'm going to yield the question to Dan on the storm water.

Public Works Executive Director Dan Worth: The first priority is the Indian School Lake, just north Indian School Road.

Vice Mayor Korte: Oh, the little powerboat lake.

Dan Worth: Very small boats.

[Time: 01:24:30]

Vice Mayor Korte: Okay. So they are primarily the lakes on the west side of Hayden?

Dan Worth: There's a number of lakes from Chaparral all the way south to the southern city limits, we made improvements and some have improvements that we need to make, varying degrees of liability, actually. The one at Indian School is the most important one. I think there's one at McKellips Lake that is fairly high on the list. Those are the ones that are immediately, I think, need attention.

Vice Mayor Korte: Thank you, Mr. Worth. On to the fire station 613, that's the Jomax and the Pima site. Is that to replace the mobile home on that site and build on that site?

Fritz Behring: A different location.

Vice Mayor Korte: So do we own that Jomax site?

Fritz Behring: We own that Jomax site. We have money in this budget to buy new land for a station that would be located a half a mile or a mile to the west, I believe.

Dan Worth: We are looking at a location that's on state land about a mile to the west of the existing station. The existing station were made in the inventory. It's part of water system at the water reservoir.

Vice Mayor Korte: Last, on the public art improvements at WestWorld, I know that the design and it's all ready to be built, honestly, I have a little heartburn using General Funds for public art when we have a Public Art program. That's my opinion.

Fritz Behring: Okay. One point I would like to make and one of the projects that you see is the Granite Reef Water Shed. We as staff feel that the time has come to finally address those issues in

that area of the city. We have a lot of people who are suffering from excessively high flood insurance rates and whatever we can do to help to mitigate that, I think is, the time is come to get it done. Staff has been updating me as to the progress over the years. The challenges we face and we feel that we can do some real steps in the next couple of years to make some real improvements for that part of the city.

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

[Time: 01:27:08]

Councilwoman Milhaven: Thank you, Mayor and your comments around pensions reminded me of something else. It may be a longer term as I have concerns about the salary ranges and the maximum of our salary ranges it may be out of whack and exorbitant and may be exaggerating some of our pension liabilities. I would like to make sure that the salaries are appropriate. And the other comment that that reminds me of was performance measures. As I go back and look at the budget books, while there's performance measures for each of the departments, I think there's an opportunity for us to be, to sharpen our pencils with more efficiency metrics that make sense to help us, are we getting, are we better than the market, worse than the market or better or worse than we were last year? If we don't have a mark place metric, can we measure ourselves and say we are more or less efficient than we were before. And then also it would be helpful in the budget books, I know the F.T.E. is in the back in the appendix, but we have to cross reference it to see what the departments are since F.T.E. is such an important part, a big part of our expenses being able to see that in the context of the department reviews would be really helpful. Thank you.

Mayor Lane: Thank you, Councilwoman. Fritz, the last item we have on this chart here is RICO, various RICO projects. It raises some questions with regard to the funds that are held, the RICO funds that are held by the city somewhere. I'm presuming they are not part and parcel to our General Fund because they are dedicated specifically to the police applications in accordance with the federal law. But why would we have a functional report. I realize it's a relatively small amount. It's \$200,000 or something to implement a RICO project.

Dan Worth: Mayor, what you are seeing on the chart is a General Fund component of several projects that will utilize RICO funds there are certain administrative costs that we pay for on all of our capital projects that are not eligible for the use of RICO funds. And we are generally getting about \$10 for every dollar of General Funds on the capital project that we use RICO funds for. So we get a lot of leverage for that.

Mayor Lane: But it's specifically to certain kinds of applications and it's somewhat restrictive. That's where we use the money to buy tanks and things like that, but nevertheless, I'm a bit concerned about, about the \$200,000, I suppose in the fact that I wonder if there isn't some way to utilize the RICO funds for a broader scope of things within the city's needs. That's always been a matter some of concern as the motivation on the RICO, the accumulation of RICO funds and the use thereof but in any case, I think you answered my question. They don't currently qualify for reimbursement out of those funds. Okay. Thanks. Councilman Littlefield.

Councilman Littlefield: Well, it's interesting we are having these discussions on priorities and in light of the failure of the bond issue and it's pretty clear that the City Manager gets it but it's also pretty clear that what's happening up here on the dais, people don't get it. One of the first things that the City Manager said was he heard from the City Council that one of the things that was a sacred cow and untouchable was the cultural Council's \$4.5 million contract. Really? How does that get to be up touchable? There's your fire station right there. Is the cultural Council more important than a fire station? Vice Mayor Korte is talking about maybe we can cut hours at the seniors center, maybe we can close libraries. Really is the cultural Council more important than the libraries and the senior center? I bet more people use the senior center every year than go to the museum of contemporary art. The message of the bond defeat, the landslide defeat, we need to be smarter and start cutting. I hate to say, it we are already off to a bad start. And if anything is going to be sacred and untouchable, then we're already doomed and we might as well, we are just going to be right back here again next year.

Mayor Lane: Thank you, Councilman. That looks like it wraps it up as far as any comments we have. Thank Mr. Behring and I hope you have got some good guidance.

Fritz Behring: I did. Thank you.

Mayor Lane: Okay.

ITEM 14B – REQUEST TO AGENDIZE THE CITY’S SIGN WALKER ORDINANCE

[Time: 01:32:12]

Mayor Lane: Last remaining item on the Regular Agenda is 14b and this is a request from Councilman Phillips to agendize a presentation and possible direction to staff on the current sign walker ordinance including a possible alternative. And that, for that, I will turn it over to Councilman Phillips to explain his position on that, and realizing this is only a vote to hear it, not to engage in any kind of deliberations or discussions on it, but only to make the case one way or the other to put it on the agenda. Consider it to put it on the agenda. Mr. Phillips. Councilman Phillips.

[Time: 01:33:02]

Councilmember Phillips: Thank you, Mayor. The purpose of this is I would like to direct staff to bring this back to us. I was not around when we implemented this ordinance. I think if we, I would like to see if it's implemented properly and forged properly, and also better alternatives so we can allow small business to be able to incorporate sign walkers in Scottsdale. Our process is to eradicate rather than regulate them and, you know, it's not unlike ice cream trucks that, you know, we made a nice ordinance and we gave a lot of restrictions and policies for them to allow them to come into Scottsdale. I think the sign walkers deserve that same right and for that reason, I would like to see that they have that chance. So with that, I would like to make that motion to have staff agendize a presentation and possible direction from the current sign walker ordinance to possible alternative.

Councilman Littlefield: Second.

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

Councilman Littlefield: No.

Mayor Lane: Okay. We do then have a motion and a second to consider this to be agendized as it's just been described. We are now ready then to vote. All those in favor, please indicate by aye, and those opposed with a nay. The motion passes. As you can see the tally is 5-2 with Councilwoman Milhaven and Councilwoman Klapp opposing it. So we will have that agendized then as has been requested and indicated. All right.

ITEM 15 - CITIZEN PETITIONS

[Time: 01:34:56]

Mayor Lane: We have got no further Public Comment, but we do have two petitions, one that was addressed by Susan Wheeler, and Dawn Brokaw earlier in the session. And I think we are all familiar with that, as it was described. This would be a motion to have this considered, either for an action item, or for the City Manager to act upon. Where do I have my petitions. We can direct the City Manager to agendize the petition, direct the City Manager to investigate the matter and prepare a written response to the Council or take no action. Do I have a motion to any one of those items? I'm sorry, Vice Mayor Korte.

Vice Mayor Korte: Thank you, Mayor, regarding petition to the City Council to revise an update the current outdoor lighting ordinance, I would like to move to direct the City Manager to further research this issue and bring it back to the City Council.

Mayor Lane: Okay. That would be item two, if I might just clarify and that would be to investigate the matter and prepare a written response.

Vice Mayor Korte: Thank you.

Mayor Lane: That's a written response and one to go to the petitioner. Very good and it's been seconded. Any comment from the seconder?

Councilman Littlefield: No.

Mayor Lane: Then I think we are then ready to vote, unless someone has any other comment on that. All those in favor? All those in favor please indicate by aye and register your vote. You got locked out. There you go. Okay. Tally is 7-0. It's unanimous then to consider that first petition.

Second petition was just presented to us, and this is a citizens petition to remove Loren Molever.

This was given to us in the presentation by Mr. Washington. So I think we are all familiar with what's been asked and spoken of here, and the motivation on this. So we have the same choices on this and it would be to direct the City Manager to agendize the petition or to direct the City Manager to investigate the matter and prepare a written response for the Council and the petitioner or no action. Do I have a motion?

Councilman Littlefield: I move we direct the City Manager to agendize.

Mayor Lane: The motion has been made and seconded to agendize this petition. Seeing that we have no further comment on this, I think we are then ready for a vote. All those in favor of that motion, please indicate by aye. Otherwise, no. The motion fails 5-2 with Councilman Littlefield and Councilman Phillips calling for it. So in lieu of that, it's a no action item, is that right Ms. Jagger?

City Clerk Carolyn Jagger: Yes.

Mayor Lane: So it defaults to no action. That then completes our agenda for this evening.

ADJOURNMENT

[Time: 01:38:25]

Mayor Lane: I would accept then, I want to thank everybody for their participation and presentations on all levels and then I would accept a motion to adjourn. Moved and seconded. All those in favor of adjourn. Please indicate by aye. We are adjourned. Again, thank you very much.