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#### **CALL TO ORDER**

[Time: 00:00:02]

Mayor Lane: Good afternoon or good evening. I call to order the February 17<sup>th</sup>, 2015, City Council meeting. It's the regular meeting. We will start with the roll call, please.

#### **ROLL CALL**

[Time: 00:00:11]

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

City Clerk Carolyn Jagger: Vice Mayor Linda Milhaven.

Vice Mayor Milhaven: Here.

City Clerk Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

City Clerk Carolyn Jagger: Virginia Korte.

Councilmember Korte: Here.

City Clerk Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

City Clerk Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

City Clerk Carolyn Jagger: David Smith.

Councilman Smith: Here.

City Clerk Carolyn Jagger: City Manager Fritz Behring.

City Manager Fritz Behring: Here.

City Clerk Carolyn Jagger: City Attorney Bruce Washburn.

City Attorney Bruce Washburn: Here.

City Clerk Carolyn Jagger: City Treasurer Jeff Nichols.

City Treasurer Jeff Nichols: Here.

City Clerk Carolyn Jagger: City Auditor Sharron Walker.

City Auditor Sharron Walker: Here.

City Clerk Carolyn Jagger: And the Clerk is present.

[Time: 00:00:35]

Mayor Lane: Thank you. Just some order of business. We do have cards if would you like speak for public comment, that's the white card that the City Clerk is waving over her head to my right. If you would like to give us some written comments on any item on the agenda, that's the yellow card that can be filled out and we will read them during the proceedings. And we have Scottsdale police officer, Tom Cleary and Jason Glenn here. We've got, oh, okay, and behind me. They got me covered on both ends and the rest of the council. If you have any need for their assistance, they are here for you.

**PLEDGE OF ALLEGIANCE**

[Time: 00:01:12]

Mayor Lane: Today, we have got Webelos. You just told me, Webelos. I just asked you. I'm sorry, and I know you said it perfectly. So Boy Scout Pack 682 and their pack leader Jon Komar are here to lead us in the pledge. Gentlemen, if you could come up to the microphone, please. Mayor Lane: Any time you are ready.

Webelos Boy Scout Pack 682: 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. If you would turn that microphone around and face the audience, and then one by one, if you could line up behind that and just introduce yourself, give us your name, your school, and your favorite subject.

Ian: Hi, my name is Ian and I go to Archway Classical Academy and my favorite subject is science.

Ryan Hall: My name is Ryan Hall. I go to Archway Classical Academy and my favorite subject is history.

Ryan: Hi, my name is Ryan, and I go to Archway Classical Academy and my favorite subject is math.

Owen: Hi, I'm Owen. I go to Archway Classical Academy and my favorite subject is history.

Riley: Hi, my name is Riley and I go to Archway Classical Academy and my favorite subject is P.E.

Alex: Hi, my name is Alex. I go to Archway Classical Academy in Scottsdale. My favorite subject is math.

Quinton: Hi, my name is Quinton. I go to Archway Classical Academy Scottsdale and my favorite subject is science.

Holden: Hi, my name is Holden. I go to Archway Scottsdale and my favorite subject is math.

Kenny: Hi, my name is Kenny and I go to Archway Classical Academy and my favorite subject is math.

Mayor Lane: Okay, thank you. Thank you very much, boys. Thank you.

## **INVOCATION**

[Time: 00:03:57]

Mayor Lane: Now, we would like to welcome Reverend Dr. David M. Joynt from the Valley Presbyterian Church to provide us with an invocation.

Reverent Dr. David M. Joynt: Mayor Lane, thank you for this invitation to pray. We preachers don't often need an invitation to prayer. But to see you councilmembers there I want to thank all of you for your service. It's a joy to be a new citizen here in Scottsdale, and I asked Mayor Lane how our church could partner with the city and he gave us some great ideas so I just want to extend that idea out to the council for a few ideas about how our church could serve the community. We would love to hear those. This weekend on Saturday, we are going up to do some graffiti busting on behalf of the city in north Scottsdale and we are looking forward to that.

Let's begin our time with a prayer. Let us pray. Heavenly Father, we ask your special blessing on Jim and Suzanne and Virginia, Kathy, Linda, Guy and David. They have had the courage on behalf of their fellow citizens in this wonderful community to step into the world of politics and service, to the give the best of their time and energy to this wonderful task. They are challenged to address not only the problems and the challenges of this city, but also its possibilities and its dreams. And so we ask you to be with them in that great task. Bless this time and this day, this meeting, may it be done decently and in order and with great discernment, we pray this in your great name, and all God's people. Amen.

#### **MAYOR'S REPORT**

[Time: 00:05:52]

Mayor Lane: Thank you, Reverend. You know, we have got some nice news to report. And I would like to focus on some of the things that are so positive in our community. So I just wanted to let you all know that in 2014, 37 high school seniors in Scottsdale qualified as national merit scholars. A distinction that only the top one-half of a percent of American high school seniors receive. These students earn the top scores on their preliminary S.A.Ts and national merit scholarship test and were judged on essays, academics and extracurricular activities. These students attended Basis Scottsdale, Chaparral High School, Desert Mountain High School, Horizon High School, and Scottsdale Christian Academy and Scottsdale Preparatory Academy. So I would like to congratulate all of these students on their outstanding academic achievement. So let's give them a hand.

#### **PRESENTATIONS**

[Time: 00:06:57]

Mayor Lane: We have a couple of presentations and information updates. We will start with the American Heart Association. We have Brittany Mayes, the business development director of the American Heart Association and Kimberley Lipski, the regional manager of Cigna. If you would come forward.

Brittany Mayes: On behalf of the American Heart Association, I would like to congratulate the city of Scottsdale on your Gold Fit-Friendly 2014 work site status. You are among an elite group for this initiative. As the gold level award recipient, you have recognized the importance of a healthy workplace for your employees but have taken important steps to create a culture of wellness by

providing support to employees and we commend you on your job well done. Great job!

Mayor Lane: Okay.

Kimberley Lipski: So in addition to that award, the city of Scottsdale was also awarded Cigna's Well Being Award and this has been something that we created to help promote health and well-being within our community, and the city of Scottsdale has been awarded this distinction because they have been positively impacting their employees and their families from a health and wellness perspective and really setting that apart within the community. There was competition for this and they put out several other applicants within our area. So congratulations on your commitment to health and wellness and all of the work that goes into putting on a health and wellness program. Although we are new partners at Cigna with the city of Scottsdale, we are really looking forward to what we can do in the future and how we can increase the health and wellness moving forward. Thank you and congratulations.

Mayor Lane: Thank you very much. The city always welcomes that kind of recognition. Obviously for a great community, it's great to have the kinds of environment that both of those awards represent for us. So thank you.

#### **SCOTTSDALE CONVENTUION AND VISITORS BUREAU UPDATE**

[Time: 00:10:16]

Mayor Lane: Next on presentations and information updates we are fortunate to have Rachel Sacco, the president and C.E.O. of the Scottsdale Convention and Visitors Bureau to give us an update. Rachel? Welcome.

President and CEO Scottsdale Convention and Visitors Bureau Rachel Sacco: Thank you. Mayor Lane, members of the Council, thank you so much, I'm here just to give you a quick update on the health of your tourism industry as we close the second quarter of the fiscal year; however, I would like to come back when we have the results from our super season. So I would like to come back in a couple of months to share you with some really stellar results that I think you will be very proud of, as well as the citizens who have been a part of hosting about 9 million visitors we're counting.

So if we quickly look at kind of the health of the industry, what we're looking at right here is a year-over-year comparison of 2014 over 2013. And even before we really gotten into 2015, which I think is going to be a groundbreaking year for us, you can see that the industry is starting to come back from the recession. If you will, we are at 3.6% occupancy, our 5.6% increase in average daily rate and almost 10%, actually a 9.5% increase in our revenue per available rooms. So that's really good news.

It's not just for us and tourism and the Council but also for our citizens because the more dollars we can generate, the more we can do city services and actually keep Scottsdale as a very, very attractive community for those who live here, as well as those who visit here.

I would like to bring you up to speed on a couple of things that we have been working on in need periods. We have been focusing on those areas of our year that really need a boost. And as an example, in the bookings that we are bringing here for groups, corporations, associations and whatever, that want to meet in Scottsdale, our focus this year has been on those need periods of around the summertime and also in the fall time right before the holiday season. And I'm proud to tell you that about some 49%, nearly half of all of our bookings for this coming year are in those need time periods when our resorts and properties really need us.

But two other areas that might surprise you, one is golf. So golf is not something that has always been a part of Scottsdale DNA. It helps to launch us as the resort destination. We think we have the finest golf destination in the world and I think many of our visitors would agree. But in Scottsdale the golf industry over the last few years has really taken a hard knock. And we decided we did not want to stand by and let that happen. So for over the last three years we have been working very diligently with the golf community itself and public and private partnership to help bring the golf industry back.

What we have been doing is working with basically a whole aggressive marketing and advertising approach to marketing to core avid golfers. What we found is the avid golfer who comes out here in the target market that we are trying to reach actually spends about 50% more than the average visitor to Scottsdale. So it's a very lucrative market. We saw Brandel Chamblee. He's a golf analyst for the Golf Channel. He does a wonderful job as a golf analyst. He's also a resident of Scottsdale. He loves Scottsdale and every opportunity he blogs and tweets and talks about Scottsdale on his national platform whenever they allow him to, but also as part of our ambassador for golf. He's done a great job for us.

What he found is they are growing Scottsdale. We are actually seeing metrics rising. The revenue from golf year over year is up over 4% and the golf-related rounds that are being played are up 6.5% and while those numbers may not look huge to you, this is way above the industry average. In the industry average we are actually seeing a decline of 1.5 to 2% overall for golf throughout all of our competitive set. The biggest thing I think for you so to know that your golf community here has stepped up to do something that no other golf community has ever done yet. And that is that they are getting together to share their information so that when we are investing in advertising and marketing, they can actually share their rounds, their revenue and they can tell us if it's making a difference. Hence that's how I know against the national average what we are doing here in Scottsdale. What everyone tells us there's not been another community that's been able to get those people, if you will, individually and willingly to share that kind of information. So we're really, really proud of that.

Another area is the holidays. If you are one of those who like to travel with your family during the holidays, you may wonder, well, you know, why are certain destinations on the top of people's minds and why is Scottsdale not one of those. We have been striving to change that and sending out additional marketing dollars. We used our research to comb through the number of customers and potential customers that we are aware of that we know actually even if they are not a customer to Scottsdale we can do an overlay with the research and find customers that fit our profile but also

travel during the holiday. So we have been marketing to them aggressively.

I'm happy to tell you that just since 2012 we moved the needle in actual bookings to our Scottsdale properties that have increased over 12% and that is really terrific. And if you noticed even as a resident, a lot of the product has also increased. So while it's wonderful to go to the Scottsdale Fairmont Princess and enjoy what they have done so well, other properties have also taken a page out of that as you will and they are doing similar things. I notice in downtown Scottsdale there's a lot more product during the holidays. So we are growing this destination organically into becoming a place that truly has holiday traditions and it's moving itself to be very worthwhile. I wanted to share that with you.

Very quickly, we launched as you all are aware, Scottsdale super season, just last month. It kicked off in the event season with the Fiesta Bowl, and even though we did not have what we thought would be a stellar lineup for the Fiesta Bowl, it actually improved in terms of occupancy, about 9% year over year, compared to last year's game. So we kicked off with the Fiesta Bowl and we had the Rock and Roll Marathon and Barrett Jackson which is just hitting it out of the ballpark with over 1 million square feet of things to see and do at WestWorld and other car auctions. And we had our very own Super Bowl, if you will which is the Waste Management Open, again hitting records.

And then we hosted this little event in Super Bowl and in downtown Scottsdale, we had ESPN choose Scottsdale out of all the places it's could have been to do their live telecast and broadcast. If any of you are ESPN watchers, and you watched the television, what you saw during that entire week leading up to the Super Bowl, or if you are even listening on radio, what you heard was "We are broadcasting live from Scottsdale, Arizona", and you saw it ticker taped across the whole screen and the whole backdrop was Scottsdale. We had actually posted around the fences at Scottsdale Fashion Square and the Mason Square Development wonderful images of Scottsdale. And as the producers told me previously, Seth Markham, he said this is the best broadcast site to date that we have ever had and it will be the model when we go to San Francisco for the next Super Bowl, and moving forward. So we are really proud of that. You are going to be having an update from the Mace Ridge folks I think probably in the next month or so. So you will get more on that.

I cannot leave the podium without telling you that that would be a tremendous success and a great for us to have Super Bowl and Super Bowl events if you will, here in Scottsdale that really helped us with our revenue raising. We are now telling the world about the temperature in Scottsdale. And it's a good time to do so. So in October we launched our Warmup in Scottsdale campaign and frankly, this is the most aggressive campaign that we have been able to do for our advertising and marketing. And it's aggressive because the more the bed tax increases, the more we are able to put it into actually getting people's attention, via the national stage, whether it's through Canada or all over the United States.

So these are some of the images that you might see if you are in our target markets of New York, Chicago, Dallas, Seattle, San Francisco, all throughout San Diego. And not only these types of advertisements, but you are also going to see what we are doing once again, train wraps and an entire station wrap in Grand Central Station. This always seems to get people's attention. I get calls and

emails from people who have seen this and it just makes them feel great on a gray day in Grand Central Station to see this wonderful image of a bright place, yes, somewhere that has sun and 72 degrees. We are doing this in Chicago, and the el trains and we are doing this in Denver and San Francisco, and throughout California. If you happen to go to some of our target markets like Chicago, you might see some giant wallscapings that have beautiful sunny images of Scottsdale and I can tell you what people tell me is that when our ads start running the hotels start getting increased inquiries for bookings because people want to go where there is sun for sure. This is an example of how we are wrapping and entire tunnel in San Francisco with spring training and the message, please come out to Scottsdale.

One of the things that we are doing is taking a look at where we are with our messaging and it's been about ten years since we have tested our messages with consumers. So we are going back out through a rebranding program. Most of you have participated, I think, with the consultant that we have selected and the idea is to make sure that the messages that we are putting out in the world, those that you just saw and those that maybe you haven't even seen, that are in print magazines, that they resonate with our high value customer and that also we are positioning ourselves for the customer who is growing into Scottsdale. So we are going to be going out and developing through a sense of research and once we get a sense of where we are what images best fit us. We will go out and test the markets in New York and Los Angeles and we will talk to consumers who have been to Scottsdale, potential visitors who have never been to Scottsdale and a group called the millennials, to see if these images resonate with them and then we will build our entire campaign based on those.

The most important thing is that you all know that the CVB is taking our job very, very seriously, of being the mouth piece, if you will to the world about the best images and the best experiences that really portray the quintessential Scottsdale experience. As I'm closing, one of the things that I would very much like to do is on behalf of the entire tourism industry is to thank you Mayor, Vice Mayor, members of Council and also to thank our citizens of Scottsdale for doing such a great job of hosting a number of visitors, thousands and thousands of visitors during our super season. You made it so warm and so welcoming. I always get stories from visitors who say your people there your citizens are so nice. They helped me when I needed directions. They are always positive, they welcomed me, and they thanked me for coming. I also would like to do just a quick shout out from the tourism industry to our fire department and public safety who worked behind the scenes and made everything go well, but still had everyone having a great time. So we thank all of you for making it possible to host the visitors successfully, and I'm looking in order to coming back in a month or two to tell you the great results that we had as we kicked off 2015. Thank you.

Mayor Lane: Thank you, Ms. Sacco. Appreciate it.

#### **PUBLIC COMMENT**

[Time: 00:23:04]

Mayor Lane: With that, we will move on to public comment and this is the time that public comment is reserved for citizen comments regarding non-agendized items with no official council action to be

taken on these items. Speakers are limited to three minutes. There's a maximum of five speakers at any one time, but we have one request to speak. And there will be an occasion at the end of the meeting if there are additional requests to speak. There is one at this time and it would be Louise Lamb if you would like to come forward.

[Time: 00:23:33]

Louse Lamb: Mayor Lane, City Councilmembers, this past weekend this past Saturday, I volunteered to answer questions to people that were going to the grand opening of the Scottsdale Museum of the West. What an awesome building! I was impressed. I was totally impressed and everyone I spoke with was impressed not only with the exhibits but with the architecture of the building. I was told 1300 people went through the museum on Saturday. I would like to encourage everyone to please go through the museum. What a fantastic exhibit and building. Thank you.

Mayor Lane: Thank you, Ms. Lamb.

#### **ADDED ITEMS**

[Time: 00:24:42]

Mayor Lane: So moving on to the next order of business, we have consent items 1 through 21. I have got no requests to speak on that or any other comments.

City Clerk Carolyn Jagger: Your Honor? Forgive me for interrupting we have added items.

Mayor Lane: Oh, okay. I need to get mine updated as well. Okay. Then we do have some added items that require us to vote to add them since they came in within the ten-day period of time for the meeting. We require a separate vote for that and this Resolution is 8223 and requires that with limited exceptions, the agenda language, the council reported and any supporting materials described as being attached to the council -- I'm sorry, that's -- that just explaining that.

Vice Mayor Milhaven: I move we accept the agenda as presented.

Mayor Lane: Okay. And that's Item A1.

Councilmember Korte: Second.

Mayor Lane: Okay. Thank you. Get me out of that circle. In any case, okay. So the motion is made and seconded. Councilwoman Littlefield? So then we are then ready to vote. All of those in favor of accepting the agenda as has been presented please okay with an aye. Those opposed with a nay and register your vote. Okay. That item is accepted.

#### **CONSENT AGENDA**

[Time: 00:26:30]

Mayor Lane: On to the agenda as presented. So we do have Consent Items 1 through 21. And we do have Item 22 was removed at the request of the applicant. And Item 26 was removed at the request of staff. I'm sorry. That goes into regular agenda. So Consent Items 1 through 21, no further comments indicated on that. Oh, I'm sorry, Councilwoman Littlefield.

Councilwoman Littlefield: Thank you, Mayor. I don't want to pull anything but I do have a question on item number 2 and it's Exhibit 2. It just kind of caused me to have a little question in my head. On page 1 of 2 they have a showing and listing of the times for the live entertainment to go on and they have Friday, Saturday, and Sunday which I totally understand. And then they have Tuesday from 8 p.m. to 1 a.m. and could I ask why that particular work day, evening?

Mayor Lane: Let's do this, let's go ahead and we can go through that exercise as part of the regular agenda. We'll go ahead and pull that and deal with the consent items first. Even with that explanation, it's probably going to require some presentation.

Councilwoman Littlefield: Okay.

Mayor Lane: So we'll do that. So the consent items 1 through 21. And what was the item, I'm sorry?

Councilwoman Littlefield: Two.

Mayor Lane: Absent item 2.

Councilmember Korte: I will move to Consent Agenda Items 1 through 21, with the exception of item 2.

Councilman Phillips: Second.

Mayor Lane: A motion was made and seconded. There being no further comment, I think we are ready to vote on the consent items as has been presented. All those in favor with a aye and opposed with a nay. Aye. Okay. So if you are here for Consent Items 1 through 21, absent item 2, then you can stay with us or leave quietly and we will move on and we will now take item 2 and we will consider it first.

## **REGULAR AGENDA**

[Time: 00:30:11]

### **ITEM 2 – PHO CAO RESTAURANT AND BAR CONDITIONAL USE PERMIT**

Mayor Lane: Do you want to go ahead and make a presentation or at least to answer that question

now? I'm sorry if you want to go ahead and continue that again.

Councilwoman Littlefield: I wanted to know why of all the work days you have a live entertainment on Tuesday night until 1:00 in the morning.

Senior Planner Kim Chafin: Good evening Mayor Lane and Councilwoman Littlefield. This business has been operating in Tempe for the last three years and they are excited about moving to the McDowell corridor in a building that's been vacant for five years. We are excited about getting that filled and traditionally they had their karaoke night on Tuesday night and they would like to continue that.

Councilwoman Littlefield: Okay. Is that going to be just inside and not disturbing any possible neighbors surrounding?

Senior Planner Kim Chafin: Yes, all the live entertainment will be within their fully enclosed building.

Councilwoman Littlefield: All right. Thank you.

Senior Planner Kim Chafin: Thank you.

Mayor Lane: Okay. And any other questions on item 2?

Councilmember Korte: Mayor, I would like to move to accept Item 2, Resolution Number 10026, approving a conditional use permit for live entertainment.

Councilwoman Littlefield: Second.

Mayor Lane: We are ready to vote, I should say. In favor aye, and nay if you opposed. Register your vote. Item 2 passes separately unanimously.

**ITEM 22 – PERMANENT EXTENSION OF PREMISES FOR SUSHI BROKERS  
ITEM 26 – LEGISLATIVE UPDATE**

[Time: 00:30:43]

Mayor Lane: With that accomplished, then I will now restate that item 22 was removed at the request of the applicant and item 26 was removed at the request of staff off of our regular agenda items. So we will then move on to our regular agenda items absent those two items. They do not require a vote to remove.

**ITEM 23 – EMPLOYEE MEDICAL PLANS AND PREMIUMS**

[Time: 00:31:13]

Mayor Lane: And we'll start then with Item 23 this is Employee Medical Plans and Premiums. And we have Lauran Beebe.

Human Resources Manager Lauran Beebe: Good evening Mayor and members of Council. I'm Lauran Beebe, human resources manager for the city. And tonight I'm going to walk you through the steps involved in developing the medical premium contribution rates for the fiscal year beginning July 1, 2015. In total, medical and dental costs are expected to be \$28.3 million this next fiscal year. Based on the premium cost sharing methodology approved by City Council several years ago, employees pay \$7.3 million or 25% of the total premiums and the city pays \$21 million or 75% of the total premiums. There are currently 2,222 covered employees which represents about 6,000 covered members. The majority of these are on the in-network plan which offers most coverage.

The cost of healthcare has continued to increase. This slide shows claims costs that are per employee on a per month basis, a 12 month rolling average for the most recent year of 2014. Why are costs increasing? Increases are due to employees being a year older, higher prices charged for medical care, increased usage of specialty pharmacy services, increased smaller dollar claims, and the Affordable Care Act federal reinsurance fees can come into effect January 1<sup>st</sup>, 2014, which this year equates to about \$255,000.

Looking forward over the next 12 to 18 months, our benefits consultant, Hayes, is predicting that costs will continue to rise about 8%. Last year, we changed several copays, deductibles, and out-of-pocket maximums for the first time in five years. This included an incentive for employees to utilize the Cigna medical group. Additionally we eliminated health coverage for regular retirees. We switched carriers and saved on administrative fees. And then Hayes reviewed the previous 30 months of claims and set the rate at a level to capture the remaining needed funds. Our wellness program contains incentives to encourage employees to go to their doctor for a wellness screening and conduct a health assessment.

The Affordable Care Act regulations will require the city to treat those working over 30 hours per week the same as are full-time workers. The city currently pays 75% of the full-time premium rate for part-time. To help offset some of the future cost of this regulation, part-time benefited positions have been notified that they will be eliminated effective June 13<sup>th</sup>, 2015. However, anyone currently employed in a part-time benefited position will be grandfathered in the plan and pay the applicable plan premium. If they are 50% benefited, they will continue to be eligible for the part-time premium rate. 75% benefited positions will be eligible for the full-time rate.

Hayes is recommending a 6.8% increase over the next year. Most employees will pay \$6 to \$24 per month. The increases range for the lowest for single covered employees to the highest by family plans. The city will see increases from about \$26 to \$77 per month. In total the cost of the city rises by about \$1.3 million. Hayes recommended no increase to the dental rates.

We also considered switching to a narrow network called Local Plus of Arizona. This network includes the Banner network and the Scottsdale Healthcare Lincoln networks but it doesn't include Mayo or Phoenix Children's Hospital. When we presented this proposal to employees a number of

people said they would prefer to pay more in premiums and not change the network since last year we not only changed carriers but made several design changes to copays and deductibles. Hayes anticipates a 13% disruption with that narrow network option which would result in more than 1 in every 10 claims having to switch to a different provider in order to stay in network. Hayes recommends analyzing a full year of Cigna claims before considering changing networks.

Employees will be eligible to obtain a wellness incentive if they have a wellness visit and conduct the sickness assessment. They will receive \$120 for participating and if their spouse also participates, the total would be \$240. Cigna has some performance guarantees for improving employee's health. For example, the Cigna will pay the city if they aren't able to move employees from a higher risk category to a lower risk category but we need 65% participation for this guarantee to go into effect. If the 65% participation rate is met, Cigna will select 50 employees to receive \$500 gift cards. All additional dollars from Cigna will be used for wellness programs that address Scottsdale employee's specific health risks and needs.

On January 28<sup>th</sup>, the Loss Trust Fund Board voted unanimously to accept the 6.8% increase and the wellness incentive.

[Time: 00:36:30]

Mayor Lane: Excuse me one second. We have a question from Councilwoman Klapp.

Councilwoman Klapp: What is the percentage of employees that participate currently in the wellness program?

Human Resources Manager Lauran Beebe: We have seen an increase in 2013 where we had a 15% participation rate. Last year it doubled, more than doubled to 33%.

Councilwoman Klapp: So we have to double it again in order for that program to go into effect is what you are saying?

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

[Time: 00:37:02]

Mayor Lane: I'm sorry. That raises a question, just for the guarantee? So in order to have the guarantee of the incentives?

Human Resources Manager Lauran Beebe: Mayor, members of Council, what that guarantee is for is if we get 65% participation, Cigna says that they can move, you know, a good percentage of those people from a high risk category to a low risk category. If they don't meet that certain percentage, they will end up paying us money back. The goal is, of course, that we would rather move the employees to the lower risk category.

Mayor Lane: Okay. And is the \$120 employee only incentive and \$240 for employee/spouse or partner, is that still an incentive that goes against premium contribution in?

Human Resources Manager Lauran Beebe: Mayor, a member of Council, what we have decided is to do a one-time lump sum. We made a premium contribution a couple of months ago. They enjoyed the one-time lump sum which was probably a help in the increase of what we got from last year.

Mayor Lane: And is that required as an employee and spouse situation that both participate?

Human Resources Manager Lauran Beebe: Mayor, members of Council, yes, that's correct, we will require both to get the incentive.

Mayor Lane: To get any incentive at all.

Human Resources Manager Lauran Beebe: All or nothing.

Mayor Lane: Very good. Thank you. Continue if you would, please.

[Time: 00:38:30]

Human Resources Manager Lauran Beebe: On that note, staff recommends the adoption of Resolution 10007 and the proposed increased contribution rates of 6.8% and approves the \$120 wellness incentive for active employees.

Mayor Lane: Thank you. We have some questions or comments starting with Councilman Smith.

[Time: 00:38:46]

Councilman Smith: Thank you. Thank you for that presentation. The question I have, the 6.8 percent I guess applies to all employees across the board, no matter which plan they are in. Are there, can you talk to the reasons of why you would make it across the board rather than independently rating each plan and maybe migrating employees from what for the city is a more expensive plan to a better plan? Just talk to that question some.

Human Resources Manager Lauran Beebe: Okay, Mayor and members of Council, I will have Charlie talk about how he comes up with the actuarial assumptions. We do have to keep in mind that our claims are still our claims dollars. If we moved and migrated employees to a high deductible health plan, the claims dollars will still be there. It's just that we would shift more risk to the employees rather than the city. Charlie?

Hayes Representative Charlie Broucek: Mayor Lane, Councilman Smith, and the members of the City Council, the reason why we, oh, thanks. So when we look at underwriting the plan, we are looking at the needed premium for the entire population. And then in essence, what we are doing is looking at

the three different plan designs. So the plan structure, the actual characteristics of the plan, and applying a value to each one of those plans is, for instance, the current structure such that you have three plans. The middle plan is roughly 13% less rich or less from a benefits perspective and then the third plan is roughly 17%. So we priced those plans in accordance with their actuarial value.

One of the things that is impossible to really predict is migration from one plan to another plan. So the real goal in order not to create a situation where if somebody migrates it actually costs the city additional money is we really underwrite the plan such that if all employees were to enroll in each one of the three plans, we would be covered from an underwriting perspective. So in doing so, the reason why the percentage 6.8% is applied to each plan equally is because there were no plan design structure changes or proposed plan design structure changes for the upcoming year.

Councilman Smith: Is there a desire to move employees from one plan to another over time? How many participants or percent of employees do we have in the various plans?

Human Resources Manager Luran Beebe: Well, Mayor and members of council, we have 85% of our employees in that market plan which offers the most coverage, which shows that our employees are a pretty risk adverse population. We only have about 11% in the middle tier plan and another 4% in the high deductible health plan.

Councilman Smith: And to the question of whether there was a desire of moving employees from the 85% participation plan and to some others to get a better mix, is that an objective or is the city indifferent then?

Human Resources Manager Luran Beebe: Mayor, members of Council, it's certainly something that we look at each year to make sure that our plans are properly aligned. Right now even if we did move people over to the high deductible health plan, our claims dollars are still our claims dollars. Again, it's something that we can certainly look at next year to move people into maybe the middle tier plan but right now, there's no plan to do that.

Councilman Smith: I think just to clarify I wasn't suggesting that we move. I was really asking for your thoughts as to whether we should be trying to move people from one plan to another. It seemed like there's very light participation in the high deductible plan and maybe that just represents the population or maybe it's a pricing phenomenon. You are the experts. I'm not sure what to attribute it to and whether we should be concerned that we have three plans, one of which very few people participate in.

Hayes Representative Charlie Broucek: Mayor Lane, members of Council, the goal in structuring the plans as such is that they are self-sustainable. In other words, for each plan the premium associated with each plan is relative to the value in which the employee is getting there. There is a slight contribution advantage to the low or the high deductible health plan currently that has not at this point driven significant population into that plan. Something that we might want to look at as Luran mentioned in the future is do we want to invest in some type of a push strategy to get significant population to choose the high deductible health plan? Again, if you over incent the push into that

high deductible health plan, there will be a cost associated with that initially.

Councilman Smith: Thank you.

[Time: 00:44:21]

Mayor Lane: Thank you, Councilman. Councilman Phillips.

Councilman Phillips: Thank you, Mayor. I wish I had that booming voice of yours. These are kind of informational questions also, but on your first slide when you showed the claims, I noticed that there's a rise every year. Do you have an explanation for that?

Human Resources Manager Lauran Beebe: Mayor and members of Council, yes we do have an aging population. We have an increased usage of specialty pharmacy drugs and we did have an increased amount of smaller dollar claims this year. Probably from people when we moved from Aetna to Cigna that people ran out and got some things done, but that's the general cost of increases.

Councilman Phillips: I'm wondering if that's something that you look in the future try to lower that instead of letting it steadily climb every year and keep raising the rates to keep up with it.

Human Resources Manager Lauran Beebe: Mayor and members of Council, that's the plan to for the next fiscal year is to try to incent employees to use centers of excellence doctors, ones that have more of a proven track record improving health claims and lowering costs. So that's where our wellness dollars will be targeted to.

Councilman Phillips: So in this wellness program, does that actually work? Do you notice that people who participated in that that their claims go down?

Human Resources Manager Lauran Beebe: Mayor and members of Council, right now we are in kind a transition year from Aetna to Cigna. Next September we will be able to do a full year's claims dive and analysis. We do want people to get to the doctor and get treated early, which we have found in some of the programs that we have offered that, you know, found high blood pressure and high cholesterol. We want to mitigate those claims before they get out of control.

[Time: 00:45:29]

Councilman Phillips: Okay. So we are raising or increasing rates by 6.8%. Is this going to be a yearly trend? Are we going to come every year to the Council and ask for another rate increase? Have you got an idea of that?

Human Resources Manager Lauran Beebe: Mayor and members of Council, I don't know. It's possible. Hayes does predict an annual 8% increase. Looking at the last 30 years or 30 months of our claims we were able to hold it to a 6.8% this year but I'm not sure for next year.

Councilman Phillips: And because of that, is there a way that you could spread it out over ten years or something or is it something that Hayes does every year and we have to deal with it every year?

Human Resources Manager Lauran Beebe: Mayor and members of Council, Hayes does do an actuarial analysis every year.

Councilman Phillips: Okay. So in that case, do we have a choice? I mean, the adopt resolution, if we didn't adopt it, what would happen?

Human Resources Manager Lauran Beebe: Mayor and members of Council, we would have to go back and figure another plan out to present to you.

Councilman Phillips: So there's no choice. It's do or die here. That's the way I see it. If we didn't do this then we would have to do something else and we don't have something else. So we don't have a choice here. Correct? I mean we can all vote for it but what's the difference? We have to do it.

Human Resources Manager Lauran Beebe: Well Mayor and members of Council, if you want me to go back and try to find another presentation, I can do that.

Councilman Phillips: I'm not saying to you directly or your presentation, I'm saying the point of increasing rates by 6.8%, there's no choice that, well, we could say, or adopt option b, which is increase rates by 4.6%, but next year we'll have to increase them by 10% or some other kind of choice in the matter. Because it seems like we are just talking here and in the end we will all vote yes because what choice do we have? I don't know if anybody can address that or not. Doesn't look like it. Alright, thank you.

Mayor Lane: The City Treasurer had asked and I presume to respond to this.

City Treasurer Jeff Nichols: That's correct, Mr. Mayor and members of Council, from my view point, Councilman Phillips, if you did not approve this tonight, that's not going to stop our rates from increasing. The actuary says this will be the increase. That fact means that if we will not increase employee premiums by 6.8%, the city will make up that difference, if in fact, the actuarial study is correct.

Councilman Phillips: I appreciate that and then the choice should have been if not to choose it then the city would have to make up that difference and that's a good choice. That's something we could discuss. Thank you very much.

[Time: 00:49:09]

Mayor Lane: Okay. Unless there's a follow-up then Mr. Nichols, I had a question I'm not sure who might want to address this one, but nevertheless, the 6.8% I know is broken down between savings and overall increase, I suppose. And we did talk a little bit about the fact that it's a matter of claims

as it is normally every year. Last year there was a fairly significant additional charge from our federal health plan that's being implemented bit by bit. But I would like to know what percentage or what amount and how it relates to a percentage, I suppose, the 6.8% is attributable to those increases in that.

Human Resources Manager Lauran Beebe: Mayor, members of Council, this current fiscal year it was \$381,000. With the reinsurance fees for next fiscal year, it's going to be \$255,000.

Mayor Lane: Now when you say reinsurance fees, I'm not referring to reinsurance fees, there's some, well I mean you always have reinsurance fees for your top end costs. I'm thinking about the special fees and adjustments because of the nature of our plan versus the overall plans that are out there and the subsidies that need to be funded as well. Is there a separate component or is that just something people are talking about and we are not affected by it?

Hayes Representative Charlie Broucek: Mayor Lane, members of the Council, the transitional reinsurance fee that Ms. Beebe was speaking of is actually a separate and distinct fee than normal reinsurance fees. It's actually a fee that's paid to the federal government for purposes of basically creating a safety net for the public exchanges that we have all heard about. So in essence, that particular fee that was referenced is not for the benefit of the city but rather for the benefit of the community.

Mayor Lane: Right and I don't know what percentage of that 6.8% increase is made up of that \$368,000 or what it was, but is it half? Is it a third? Is it 10%?

Hayes Representative Charlie Broucek: Mayor Lane, members of the Council, actually the transitional reinsurance or the taxes associated with healthcare reform have gone down slightly for 2015. So in essence, of that 6.8% it actually doesn't represent any real portion simply because we are looking at a year-over-year 6.8% and there's actually a reduction in that transitional reinsurance. So if there was not a reduction in that transitional reinsurance then, in fact, we would see an increase something larger than that 6.8 that's been referenced.

Mayor Lane: But no matter what rate it's at is it not part of our costs?

Hayes Representative Charlie Broucek: It is.

Mayor Lane: And I realize what you are saying, year over year, it actually went down. I think it was \$500,000 or something last year, as I thought. I think I'm about right. I don't know if I recall that number specifically but that seemed to me that it was going to be more this year rather than less and that there was going to be the implementation of an additional fee that was going to have a hit. It was one time referred to as Cadillac fees or other premium that might be put upon us. That's not happening?

Hayes Representative Charlie Broucek: No, Mayor Lane, the Cadillac tax that's been referenced or the excise tax doesn't go into effect until 2018.

Mayor Lane: I see.

Hayes Representative Charlie Broucek: So if I look at the roughly \$250,000 of healthcare reform related fees that represents just less than 1% of your overall needed premium in order to fund the plan.

Mayor Lane: Your explanation is there's not any of that cost that's represented in the 6.8% increase, in fact, it's possibly a part of the savings? In other words did it keep it down? If it didn't increase the percentage did it somehow year over year, as you are indicating, did we have some kind of savings in that category?

Hayes Representative Charlie Broucek: Mayor Lane and members of the Council, because the fees did go down, the traditional reinsurance fees, then I guess technically that would create a savings on a year-over-year basis for that particular line item.

Mayor Lane: So to my question then is if it is not any portion of the 6.8, but if, in fact, if it hadn't gone down this increase would have been more?

Hayes Representative Charlie Broucek: Mayor Lane, members of the council, that's correct.

[Time: 00:54:05]

Mayor Lane: Councilmember Korte.

Councilmember Korte: So we know that the increase is due to that we're another year older and perhaps we are using the insurance benefits a little bit more because of the changeover. Also, we know that medical care costs have increased and they continue to increase. And can you give me an idea of an average increase in insurance costs for companies of our size? You know, just across Arizona or western region. What would be an average increase?

Human Resources Manager Lauran Beebe: Mayor, members of Council, I can tell you the city of Phoenix did have a 6.5% increase this past January.

Hayes Representative Charlie Broucek: Councilwoman Korte, Mayor Lane and members of the Council, the predicted change in 2015, although we won't obviously know until the year is complete, is roughly around 7% prior to any plan design changes and predicted to be around 5% if companies are making changes to, say, a deductible structure or an out-of-pocket max structure copays, et cetera.

Councilmember Korte: Thank you. With that, I would like to move to adopt Resolution Number 10007 authorizing the fiscal year 2015/16 medical and dental plan contribution rates and an incentive to active cover employees to participate in the city's wellness screening program.

Vice Mayor Milhaven: Second.

Mayor Lane: A motion has been made and seconded. Seeing to further questions on this subject, I think we are ready to vote. All of those in favor, please indicate with an aye. Those opposed with a nay. It's unanimous acceptance. Thank you very much, Ms. Beebe. Thank you, Charlie.

**ITEM 24 – CITY'S PROPOSED FISCAL YEAR 2015/16 RATES AND FEES**

[Time: 00:56:23]

Mayor Lane: All right we move on to Item 24, city's proposed fiscal year 2015/16 rates and fees. We have Mr. Nichols, our City Treasurer to be supported by Mr. Biesemeyer, our Water Resource Director at some point in time. So Mr. Nichols, if you would.

City Treasurer Jeff Nichols: Mr. Mayor, honorable members of Council, thank you for having us here tonight to talk about our annual proposed rate and fee changes. I would also like to point out as I go through this presentation I have some staff here to support from both community services and the planning department related to these fees. But as I mentioned, this is an annual review to determine the direct and indirect cost of service recovery rate.

We try to set rates at acceptable levels not necessarily a full cost recovery; however, all changes up or down need to be approved by Council. So the proposals for rates and fees changes submitted this year came from community and economic development, community services, and one small request from the fire department. I would like to add that this was overlooked last year. So it's kind of a cleanup and when I get to it, I will explain that a little bit more.

The new rates estimated to increase the general fund revenue by approximately \$345,000. And you see the breakdown there between community and economic development account for the majority of the rate, and the general fund community services and the public safety fire. Also, in community services there's some special revenue rate increases related to the McCormick Stillman Railroad Park.

So the annual review of planning and development fees resulted in the following proposals. I would like to add while we say these are new fees, they are new fees in that these fees existed previously; however, we charged them under another rate structure. So the rates as you will see later in the presentation might not necessarily be increasing. It's just to provide more clarity from where the revenues are coming from.

We have always had an in lieu parking fee charge; however it was embedded in another rate and it wasn't real clear that that's what you were being charged for. If we looked at the revenue sources, it wasn't quite clear. And the other, the application fee that the Development Review Board requires for changes to the new sign, master sign program, is also under the plan review and permit fee schedules. You see a number of proposed changes for various things.

What I would like to draw your attention to is the two from the bottom of the slide, the third and the second up, the single family addition less than 500 square feet, space fee and the single family less

than 500 square feet. I draw those to your attention because when people were applying for these types of permits before, they were paying a greater amount and what we're doing is trying to align these fees with the level of effort that the review takes. And the review for something this small is much less than if you came in and you wanted to remodel your home which was 3,000 square feet. So we try and align the fees both up and down with the level of effort needed to review the plan.

The plan review and permit fee changes, changes to existing fees, again, when you look at the first four or five up there, the plan review, fence and wall which is a fee that we charge per linear foot. It's going up by 2 cents per linear foot. And then the plan review for non-habitable, non-A.C., habitable A.C., and habitable A.C., that's the four below that. It's also a 2-cent per square foot increase. And you will see the rates for that later.

One thing I would like to bring your attention to is the G.I.S. fee. You will see this is a proposal to reduce this fee rather significantly. And staff feels that a reduction is in order now because the layers in our G.I.S. program have become very, very well reviewed and relied upon. So there's not as much level of effort when someone wants that information and we have a higher degree of, I guess, I'm searching for the word, but higher degree of acceptance that the information we are providing them is accurate.

So here's some of the fees in the fee schedules and you will see some of these, most of them on this page are not generating, if you look at the far right-hand column, any revenue, and that's because we are not certain that we'll have any of these permits or these reviews next fiscal year. However, we do want to set it up so that when we begin to have them, that we will have them in place. We will have the rates and fees in place.

And again, the majority of the fees on this permit fee schedule have very, very slight variations. You see almost no percent change, the second column from the right and that's because, again, these fees existed. We are just being more clear about what people are being charged for. So the rates did not change much.

You will see down at the bottom, miscellaneous permit fees related to solar water heaters. We are reducing that fairly significantly. And that's because the level of activity that we thought we would have in this area hasn't come forward and we feel this will be large enough fee at \$80 to review the plans related to solar water heaters. And finally, the two largest fees that you can see there, when I mentioned the 2 cents either per linear foot or per square foot increases in those fees will generate the majority of the investments at \$439,000. However, the offset to that is the decrease in the G.I.S. fee of \$276,000, netting the total additional general fund revenue at about \$163,000.

We also bring forward a wireless communication facilities and right-of-way fee and it's just a proposed increase of 3% for new or post July 2009 installations. That's expected to generate a little over \$34,000 in 2015/16 fiscal year. And we have some new fees related to storm water review within the area of development services which should generate approximately \$12,500 for the city. These reviews were always being done. We are just going to start charging for them and collecting a fee for the review for the level of effort related to them.

And, again, some of the fees you see there although they are significant, I would put down to the condition level of map revision, of \$3,000. The third one from the bottom, it's quite a hefty fee. We only expect to do a few of those next year. The expectation is that there will be more of these reviews and with the developable land within the city of Scottsdale that these reviews will be necessary.

And an annual review of the WestWorld fee schedules. It's mostly revising rates by square foot minimum for commercial use of a facility there at the north hall. Increased rental rates for fields when they are booked individually or booked together, increases in the water, applying water to the fields for equestrian events. Also, increases in cleanup labor related to the hourly rates for restroom cleaning and cleaning the grounds during and after an event. The drags for the arenas, footing that is not built into the base fee and then establishing fees for the use of the parking lot at WestWorld and we expect that to generate approximately \$115,000 in additional revenue for the general fund. Again, you look at some of the increases here. The percentages, you look at the second column from the right, they look significant. However, staff has advised me that they reached out to other similar facilities and these rates and fees under line with those. We are not pricing ourselves out of the market but we are increasing our revenues.

And then in community services, an annual review of program and rental fees schedule resulted in the following proposals. One related to Scottsdale Stadium for a full concourse rental, both hourly and daily and the entire stadium rental and the palm court and the adjourning concourse. We have people who like to rent the palm court, it runs along Drinkwater Boulevard and some people like to have events there, wedding events, things of that nature.

We're looking at increase in the nonresident fee for Scottsdale public library cards and these would be not only nonresident but most of them are out of state residents. As you remember, a few years ago we came forward we enclosed the skate park at the McDowell mountain ranch and in order to facilitate those improvements, we started a fee. Staff has informed me that, in fact, we have paid for those improvements to enclose that facility and so now what we are doing we are going to offer lifetime membership for \$26. You will see the amount later. And instead of a six month membership fee, it will be a lifetime membership fee.

And then some increases to the holiday lights train ride fee at McCormick Stillman and the Arboretum train ride fee. Slight increases. Staff has assured me that these are in line with similar facilities and actually our rates, considering the type of train that you are riding, are significantly less than other areas. But it will generate additional general fund revenues of a little more than \$18,000 and the special revenues I mentioned related to McCormick Stillman at about \$32,000.

And, again, you see the various fees. We do have rates for both, not only our rate day for citizens, but then a commercial day at the stadium and some other areas, the palm court. You will see there, a rate per hour that would relate to a citizen, but a commercial rate if someone wanted to come in and rent that facility. The nonresident library card, you see even though the increase may seem significant, the amount of revenue we expect to collect is fairly insignificant. And then related to

Scottsdale Sports Complex, the youth facility rental is increasing approximately \$500 per day and the adult rate going up by a similar amount generating approximately \$8,500. To convert the rates for the skate park membership fee, again no revenue impact related to that. We already had it. McCormick Stillman Park, you see the increase although the rates, the percentage change, second from right seem significant. The dollar increase for the ride on the train is going to generate about \$32,000, which will by the way, be available for improvements to the McCormick Stillman Railroad Park. It's a special revenue fund and so it doesn't benefit the city's general fund. It will still be there.

The public safety and fire departments reached out to staff and they mentioned that the reason they wanted this fee last year and it was overlooked and we are bringing it forward this year is this will help them to encourage the people that need these fire safety service safety permits. These would be related to like around the 4<sup>th</sup> of July when someone wants to set up the sale of fireworks in a store parking lot. They need a permit. We want to encourage them to do it, to give us an advanced notice and they will be charged the regular fee. But if they don't, if it's less than 10 days and we still have to go out and do the permit and the review, then we will charge them for that. For their lack of planning, we shouldn't be,

[Time: 01:09:45]

Mayor Lane: Excuse me, Mr. Nichols before we go on to the enterprise. You know, we have got under community services, we also have, it's not an enterprise I understand that, but the WestWorld increase costs. And, you know, assurances have been given that we haven't priced ourselves out the market and I'm comfortable with that assertion and frankly, it will be self-correcting if, in fact, we do, if we end up increasing our rates to a point that it is noncompetitive. The one thing I'm concerned about is that we sort of line up our various promotional dollars against whatever we're charging on these new rates so that we're not taking it in on one hand and paying it back on the other. But that's another question for another time, actually. When you are talking about the use of facilities that are out there in the marketplace, that's one thing, and like I say, that will be self-correcting because the marketplace will tell us whether we are off on the wrong track or not.

What I'm most concerned about is what seemed to be some rather substantial, when you go from 0 to 150 or 0 to 300 or 0 to 3,000 is that we now have a captive market that is working to be compliant with our laws and our regulations and our ordinances here in the city. This seems extreme. You know, did we wake up one day and say, you know what, we need to charge for the enforcement of these laws that we passed and it has to go into this. And frankly for all the administration we have to provide for this. It just seems to me that when you have, and we can easily say, well the developers will pay it and you know, that's just the way it goes and it adds to the cost, it's just another cost. It's no skin off anybody's beak on it. I'm concerned about us moving in this direction so dramatically and again it's a monopoly. It's even worse than a monopoly. It's an absolute captive market. We made the ordinances and they have got to comply with them. We have to administer and enforce them and now we are saying you know that you may not have even liked the ordinance. And frankly, I'm not making a judgment on the ordinance right now but they may not have liked it in any case but now we will charge you \$3,000 or we will charge you 0 to \$153. And this is appealing and the first

one, I'm just looking at the storm water fees. This is appealing. It sounds like it's a judicial action that we are now having to pay to have somebody to reconsider or have it challenged. So any time something goes from 0 to hundreds and maybe even thousands of dollars, I think it gives you a little bit of pause to at least reflect on it. So I'm concerned about that.

I wouldn't mind having some conversation about it. I don't know what we're trying to make up here. I know we have got a slew of different amounts of money that, you know, add to this. But that's my overall concern. I don't have an answer for it right now and I'm not asking for one immediately either. Councilman Smith, you want to make a remark. I may want to come back to this.

City Treasurer Jeff Nichols: Sure, Mr. Mayor.

[Time: 01:16:24]

Mayor Lane: Councilman Smith.

Councilman Smith: Thank you, Mr. Mayor. I think picking up on the comments that, Mayor, you just made. I don't necessarily have the same concerns but maybe I'm relying more on staff's diligent consideration of costs. I mean the reality is if it's going to cost \$3,000 to do a review, then either the plaintiff pays for it or the citizens pay for it. And I guess in that situation I would have the plaintiff pay for it, if the costs are really there. So I want to take you back to an item that is almost too trivial to talk about but I do want to understand it. Go back to your library card increase.

Mayor Lane: Well, if I might because of your comment, I will use a little bit of license here, I suppose. The only thing I would want to say and I certainly put a lot of stock and trust in what the staff designs on this, but this is a gradual development in a captive market where we go from things that we have in our enforcement. And administration that encompass, it's included, we are now saying that we are no longer doing that and we now have almost a user fee in order to have administration to an ordinance that we passed. That we prior to this point in time have absorbed and frankly when we passed it, we probably said, hey, this is going to be the new ordinance with regard to this, and we are assuming and, in fact, we might have even calculated what the impact would be on administration and enforcement when we do these kinds of things. I think we should. If we don't do that, we have done that in recent years. So that would be my only continuing concern on that.

Again, I don't know whether there is an answer somewhere in between or whether there's just an overall answer why do we suddenly wake up one morning and decide that we no longer are going to assume these costs in the enforcement and administration of our laws and how far do we go with this? What other laws are we going to start? We are no longer administering and enforcing free, not free of charge, but through our normal city general fund, and start saying, okay, everything has got a user fee on, it you know, no matter what it amounts to. Again, maybe just philosophically I'm a little concerned about we are going on this and how fast we are going right now but I will leave it at that. I wanted to at least respond to the councilman, as far as that's concerned. On with the library fee.

Councilman Smith: I'm not going to respond Mayor, otherwise I will lose the microphone again.

Mayor Lane: You were starting to say something about the library fee and pardon my interruption.

Councilman Smith: And if almost seems too trivial to ask the question in the context of some of the other fees. Nonresident fee for library cards is going up \$13 and this will generate a sum of \$559 next year?

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Smith that is correct.

Councilman Smith: I know you didn't use the word "Princely." The math of that would suggest that we are only selling 43 such cards in a year's time.

City Treasurer Jeff Nichols: Mr. Mayor, Mr. Smith, I came to the same conclusion in my math. So I believe your math is correct.

Councilman Smith: And is it not astonishing that I could go out to the library and it seems like a third of the people are from many somewhere other than Scottsdale.

City Treasurer Jeff Nichols: Please correct me if I'm wrong Bill Murphy. I will still answer it but the bottom line these are not only nonresident cards, they are out of state. They are not even Scottsdale residents. They are not Phoenix residents, they are not Gilbert residents. They are not a valley city resident using our library.

Community Services Director Bill Murphy: Mayor Lane, members of Council, Councilman Smith that's correct. If you are a winter visitor here and you are staying in a hotel, you can show us the receipt and we don't charge you to use the library. If you are a winter resident and you can prove this is your secondary home, we don't charge you. And the math is correct. It's roughly 42 cards that we issued this past year.

Councilman Smith: I don't want to debate the subject any more.

[Time: 01:18:31]

Mayor Lane: No salutary remark or anything. We have another question. Councilwoman Littlefield.

Councilwoman Littlefield: Thank you, Mayor. I just had a question on the Scottsdale Sports Complex. Can you tell me what the fees are for, say, the north Phoenix sports complexes when they rent their fields out on a per day basis? How does this compare with those fields? The reason I ask is I don't want to put our teams, our sports teams, under a great deal of pressure to pay for the fields because I know from personal experience that oftentimes they are pretty tight on money. So can you tell me how that relates to the other fields that these kids can play on or do play on?

City Treasurer Jeff Nichols: Councilwoman Littlefield, I cannot, but I saw Mr. Murphy searching.

Community Services Director Bill Murphy: Councilwoman Littlefield just to give you some numbers, the Red Mountain complex, which has six fields, we have ten, it's \$1,830 for the field rental there. Mesa has four fields at Quail Run and they are \$1,220. Snedinger Complex in Chandler, which has six fields which is \$1,554 and Avondale at the Friendship along the I-10 there has nine fields and their rental is \$1,500 a day and Phoenix which has 11 is \$2,100. I would say also that this past year our staff had 282 days available for reservations. We reserved 278 of those dates but we feel pretty comfortable that the benchmarking that we have done is okay.

Councilwoman Littlefield: Thank you.

[Time: 01:20:18]

Mayor Lane: Thank you, Councilwoman. I framed myself up into a little bit of a question here. You know, when things go from 0 to thousands of dollars and we see what the actual change might be or what it might generate, revenue change, it looks to me like there are obviously wasn't much use of these kind of categories and I don't know if the City Manager or Randy, if you want to speak towards it. Did we just wake up one day and decide, hey, if this ever happens, we want to have a big fee on, it or has it come up and we have been foolish and not extracting some fee on it in the past?

Planning and Development Director Randy Grant: Mayor, members of the Council, Randy Grant, planning and developing services. In the instance that you identified, the \$3,000 was because in the last 18 months, we had three letters of map revisions which are prepared by the engineer for a subdivision. It's required that the city review those and approve them before they are sent to the federal government for revision of the floodplain map. Because we hadn't had any in so long, we simply doesn't have a category of fee to recover that cost. We had three in an 18 month span and this is a way, simply of saying it's a very significant workload impact that we cannot absorb. I mean we are starting to begin to look at what we might not do, you know, in terms of service provision. This seems like one where given the magnitude of the work that was involved, simply identifying that and can charging the fee, was passing some of the costs back on to those that were generating it. But I will say you raise a good point and I'm sorry we didn't represent this as well as I hoped we would.

Many of these fees are not new fees. We are simply showing it because it's a category we haven't previously identified. The applicant would have been paying a fee for in lieu parking. It would not have been identified as in lieu parking, but as a special exception. We are trying to be more specific in how we identify the fee categories.

Our number one priority going into this year was, and is, how are we impacting the individual and the small businesses? And so we are looking very hard at how these fees affect people. One of the examples we went through was a 5,000 square foot addition for a home. The base fee under the existing rate structure was about \$618 and because we were able to take off the G.I.S. mapping category. The base fee under the proposed rate structure would be half of that. So we're aware, and the G.I.S. is one of those categories where you can see a fairly substantial reduction in the fees that we would be collecting because we have got good enough G.I.S. data now that we can take that

layer off of the fee requirement that we have and feel comfortable that we are able to maintain our G.I.S. We are able to reduce fees in a lot of these categories and there's only a couple where the increase is a new fee or the increase is not offset by a reduction in another area. And again, I apologize for how we presented it. We'll do a better job of that and show you exactly how that works.

Mayor Lane: Randy, I very much appreciate that explanation. It does make it a little bit more palatable as far as we look at these things. This isn't a brand new thing, like I said, I made the demonstration of waking up one morning and deciding, hey, we need to get revenue, to generate some income and let's pick up some categories and start charging for them. And, frankly, you may have touched on another part of my question, and that is, are any of these actually voluntary? The sense of not voluntary, yeah, well, voluntary, they don't have to do these things in order to comply with the law but that they may make it an option that they want this review. I'm talking about the map revision review, or that kind of thing. Is that something that we require and then they come back and ask for it and we charge them for it?

Planning and Development Services Director Randy Grant: Mayor Lane, members of the Council, it is a requirement for them to revise the map, the floodplain map and get out of the floodplain designation. So they can't submit it directly to the federal government, it has to come through the city for review.

Mayor Lane: Yeah. Okay. So it's part of the overall process that they have to comply with.

Planning and Development Services Director Randy Grant: Correct.

Mayor Lane: And in this particular case, you are saying or at least in some of these, maybe the majority as I think I understood you to say, these are not necessarily new fees, they are just more clearly identified as you put it, to greater transparency on what we were charging for and how?

Planning and Development Services Director Randy Grant: That's correct.

Mayor Lane: Thank you very much for that explanation. I don't see that we have any other questions on this right now. And so we move on to Brian or Mr. Nichols are you finished with yours?

City Treasurer Jeff Nichols: Yes, Mr. Mayor.

[Time: 01:26:13]

Mayor Lane: Alright thank you very much for that presentation.

Water Resources Director Brian Biesemeyer: Mayor and Council, Brian Biesemeyer, and I will be presenting the enterprise funds and the rates and fee proposals. As you know, we have our major enterprise funds aviation, solid waste, water and sewer. Each is a stand-alone fund which is generated by the folks who use the services and it's based on multiyear financial plans. In solid waste

the last increase was 2% in 2009. No rate increase is requested for the FY15/16, there is a cost of service study scheduled with the results of that to be presented to Council in '16/17. Aviation, the last increase was in 2011 with twin engine and jet transient parking fees. No rate increase is proposed for FY '15/16. There is a possible debt issuance in FY '15/16 but that would be presented to you as a separate matter by the aviation director at that time.

Moving on to water and sewer rates, I will give you a little background. Water and sewer rates combined have gone down over the last five years. The slide presentation, if you are pulling it up off the web, I apologize there's a little mistake in the combined increase total at the bottom. This one is correct. We had a math error. I apologize for that. But anyhow, the point being is over the last five years our residents have seen their water and sewer utility rates go down slightly. That's not been the case for the water resources as a whole for the utilities that we pay for.

A little background in the water resource costs, our operating costs. The three biggest areas that we have costs are personal services, electricity, and purchase of water. That's for both funds combined. Also areas that we have seen increases for are chemicals and preventive maintenance where we have increased our preventative maintenance to ensure that the life cycle of our assets is as long as we can get it and we have some capital cost increases for aging infrastructure and regulatory compliance.

For our operating costs over that same period, actually this is the first four years of that same period where we did not increase our overall water and sewer rates combined. Our rates did go up, power as you saw was a large \$15 million cost for us and rates increased at 11.7%. We are able to mitigate that somewhat and the actual increase we felt was 11.3%. Still, it was \$1.4 million increase and then in purchased water, almost 15%. And this is the Central Arizona and then Colorado and then chemicals have increased over that four-year period, amounting to almost \$1 million in increased chemical costs.

And that was for four years, Brian, if you can get the overhead. That was for four years. So what about this last year? It was only the first four years. Just to show you that trend seems to be continuing, our APS rates over the next two years are estimated to go up 3.8% and then 1.7%. And SRP has a rate increase proposed for April, which will affect next year's costs of 5.7%. Thank you, Brian.

Moving on to the water costs, the Central Arizona Project water costs, this is 80% of our water supply. As you can see, those rates have increased since 2010 and are expected to continue to increase. We do have some long-term financing needs. We had a bond issuance this year and then we are projecting some need for capital financing in '17/18 and '20/21.

Service charges. Service charges are charges for a specific service requested by a customer and two years ago we presented several service charges. What we are showing to you today is the third of three years' worth of increases for these specific service charges. We originally presented them because of the increases in cost. Council asked that we stretch those over two to three years and we did so and what you will see is the final third year of all of those service charges. There's not a large number of these, but there is a significant increase due to the cost of brass for meters, as well as

technology.

We have one new fee which is a turn on, turn off in a 24-hour period. This fee is and we just recently had these, requests for turn on and turn off in a 24-hour period. That occurs when somebody has actually moved out of a residence or business and turned off their services. And most folks don't do that, but we have seen this now occurring. They turn off their services and then when they are trying to sell it, they need an inspection and they request that we come back and turn it on and then 24 hours later to turn it off because they don't want it kept on. So we are requesting a fee for that service.

As for our rates, the water and sewer rates, we are proposing an increase in both water and sewer in the fixed and the variable costs. I will have more slides on that. We also propose a surcharge of 10% for customers living outside the city. Currently when we have I.G.A.s or contracts for customer service folks outside the city, we charge 10%. What we are asking for here is those individual customers who live outside the city that we have provided service to, to equalize that, and have a 10% surcharge on those same customers.

We are also proposing a storm water quality increase. It's an increase in the storm water fee. For support from the sewer side for permit requirements for storm water requirements and that's provided by the sewer fund. Both the sewer and the storm water are regulated by the Clean Water Act and the permitting is very similar; therefore, it makes sense to have support come out of the water quality division of water resources.

The summary of the overall revenue request here, water rates, the overall increase would be 1.3%, sewer would be 2.6%, and the storm water quality would be 10 cents. It's not shown here. It's new to provide that service out of the sewer fund. It will be 10-cent per bill per month and then the outside of the city surcharge again is new, but it's new only that it's new to individual customers not into any contractual agreements we currently have. Going to the specifics of the water increase, again for the base rate, this represents what it costs to provide on demand services, 24/7, 365 days of the year. There is a cost to have that water available and ready and to be used by the customer and that's what this fee rate represents.

The meter represents the volume availability and obviously the larger the meter size, the more volume that needs to be ready for those customers. It's 50 cents. Our residential customers are primarily in the 5/8<sup>th</sup> to 1 inch meters and it would be 50 cents per meter per month for those sizes and then goes up proportional to flow for the larger meter sizes. On the volumetric rate, on the left side of the screen, you can see our current commercial rates and on the right our proposed rates. We proposed rating the tier charge for tiers 2, 3 and 4, for higher volumes but we proposed extending those tiers and the reason to extend those tiers would be to give our commercial customer the ability to actually change his consumption patterns to push the consumption down to within those tiers. If you look at our existing tiers, the first two tiers are 6,000 gallons per month. That's a fairly small amount that a commercial customer could blow through very quickly. We would like to give them the ability to adjust their consumption patterns for conservation purposes and to push them down and give them a price motivation to do so.

On our residential customers, again, 9 current volumetric rates on left, the proposals on the right and the first two tiers remain unchanged. We increased the third tier. We did not increase the fourth tier but we narrowed that tier down. Again for water, for conservation methods to try to get folks to keep the upper tier, to push their water consumption down and then the fifth tier we have raised the rate.

[Time: 01:36:22]

Mayor Lane: Excuse me, we have a question or comment from Councilman Phillips.

Councilman Phillips: Thank you, Mayor. Concerning this and also back when you talked about people trying turning the water off and on and you charging them, do you do any kind of outreach to like, when they want to turn it off, you say we can turn it off for you, but you do know if you turn it back on, we will be charging you. And the same with these rates, we are trying to get them to stay in the 1 tier or the 2 tier, do you tell customers that, do you say, you can get a better rate if you work on this and try to get this rate?

Water Resources Director Brian Biesemeyer: Mayor Lane, Councilmember Phillips, yes as a matter of fact, one of the proposals here, you will see at the bottom of the slide is for the implementation date of November 1<sup>st</sup>. And there's two reasons why we propose the water rates to go in November. One of them is to get the word out to people that we are changing these things particularly the tiers and to give them the ability to work on that and we definitely want to push that message out. The second one is that when folks see their water rates go up, and we enact the water rates on 1 July, many times they confuse the increase in volume from one month to the next, particularly in July, and it tends to still be going up. They confuse the volumetric charges with the rate increase. If we take it to November, and it's much more steady state place where they can evaluate the rate increase per se, and not have to worry about the volumetric charge. But we did want to get the word out to folks through that period about what their rates are doing and to have them have the ability to make changes if they so wish.

Councilman Phillips: Not to tell you your business, but let's say next year when someone is in a Tier 3 and they get their bill, it could say on the bill, we recognize you are in a Tier 3. If you would like to have a reduced rate in Tier 2, you can try these steps or something?

Water Resources Director Brian Biesemeyer: Councilmember Phillips that's a great idea and we do try to get that message out and we will continue to push that forward.

Councilman Phillips: Thank you.

[Time: 01:38:35]

Mayor Lane: Excuse me. Thank you, Councilman. If I might, if I can go back and I don't see this as the number, but the slide enterprise water resources rate changes proposals for water and sewer.

This one is focusing on primarily some sewer charges. And you have got three items that are indicated as new and I guess I pose the same question as I was before. When we talk about new and we are talking about estimated revenue change, I have no idea what the fee might be, but is this just an overall increase that ends up increasing the revenue, the estimated revenue change by 106, 102, and \$17,000 respectively?

Water Resources Director Brian Biesemeyer: Mayor Lane, I have another slide up here. I will show you just more breakdown since you asked that question. On the new, first, the storm water on the new, there is an existing storm water fee, it is 85 cents. It covers the storm water, managing the storm water system in the city. And what we are proposing is an increase to cover increased permitting costs for that and that just happens to come out of the water resource fund because that's where the employees with the best knowledge and skill set are. The permit is designed and it increases in the requirements, it starts out with less requirements and increases requirements as you go through the permit, the permits and the years that you had the permit. And we are approaching that area where our costs have increased and so we are trying to cover those costs.

Mayor Lane: Okay. So this slide that you have here, I don't know whether it's contained within the PowerPoint I've got here, but nevertheless, if I read this correctly, we are talking about a 10 cents for whatever measure of volume it is increase of per customer, I guess.

Water Resources Director Brian Biesemeyer: Mayor Lane, that's correct and it was new only in that it's new to the water resource side,

Mayor Lane: Gotcha.

Water Resources Director Brian Biesemeyer: Not new as a fee. If I could get the slides back up. Thank you. I think this is where I left off. And then moving on to sewer, again, we are proposing increasing the sewer base rate and this is the same idea, there's a cost to provide sewer services and have that availability for folks when they use it. So this is a capacity charge for our customers. And it's based on water meter size because that's a representative amount of how much sewer backflows in our system and the base fee would go up to residential customers 50-cents a month per customer and then increase as the meter size increases. The sewer rates would be proposed increased rates on the 1<sup>st</sup> of July.

[Time: 01:41:58]

Mayor Lane: Excuse me Mr. Biesemeyer Councilman Smith has a question or comment.

Councilman Smith: Thank you, Mr. Mayor. This slide seems to be a fairly uniform 20% increase for all size meters. That appears to be the math and the intent. Could you go back to the water slide by meter? There. In some cases, for the larger meter, the 6 inch meter, it's a 40-cent increase. This is not uniformly the same across meter sizes. Can you talk to why philosophically this seems fairly punitive at the higher meter sizes.

Water Resources Director Brian Biesemeyer: It is actually more representative, I believe, than the other one for flow sizes. The sewer is not quite aligned. We started the alignment with that, but those changes were very dramatic when we first instituted the base fee last year. And our goal would be to get them to align with the water because that represents more of a flow base but we did not get there when we first implemented those base charges.

Councilman Smith: I guess I will say okay.

Water Resources Director Brian Biesemeyer: We did that to try to be mindful of what their existing sewer rates were and not try to impose dramatic changes on people all at once with realigning the base charge. As you recall, last year we had a minimum charge, which would be, it didn't matter what you used, we charged you \$15 for your sewer and if you used more volume, we charged you that. We wanted to move forward with a base charge because that was more representative of the actual costs of having services provided. But in doing that, you are correct, we didn't quite align all the sewer charges exactly to the flow based characteristics that you mentioned.

Councilman Smith: And I guess my interpretation is that the alarming set of numbers is not on the sewer side, which as I said is across the board 20%, but on the water side, where some people are paying 40% increase in, for example, the 6-inch meter going from 200 to 280 in a single year.

Water Resources Director Brian Biesemeyer: Mayor Lane, Councilman Smith that is correct. However, when you hike an 8 inches or a 6-inch meter fee, that base fee is very small. It's the overall cost, it's really the volumetric charges that overwhelm those and there are very few of those customers out there that have that. I'm not saying it's not an impact for them, obviously it is. The bigger impact to them is on the volumetric charge and they could make that up as I have quickly explained by just using less water. I would argue it is a huge expense to have that water on standby for them. 8 inches is a tremendous amount of water that we reserve the capacity to provide them at any time 365 days of the year.

Councilman Smith: Thank you, Mr. Mayor.

[Time: 01:45:14]

Mayor Lane: Thank you Councilman. I have an indication of staff's request to speak on this.

Enterprise Finance Manager Gina Kirklin: My name is Gina Kirkland with the water resources division. I wanted to clarify when the rate study was done with the sewer size, the base fees were adjusted to account for delivery capacities, whereas the cost of service study on the water side was several years prior and did not have that particular rate structure. While the sewer is increasing at a flat 20% each meter size, we are now aligning that rate structure with the sewer so, again, communicating the capacity sizes per meter. So it was a rate study that implemented with the sewer side that allows for the flat 20%, whereas that's was not done on the water side.

Water Resources Director Brian Biesemeyer: Right. The water side, if I may, the water side was

based on flow characteristics not necessarily that 20%.

Mayor Lane: But if I understood this correctly myself and that's to sort of coordinate to bring those two components together. Obviously this rate increase is a product of that study?

Water Resources Director Brian Biesemeyer: Mayor Lane, yes, that's correct.

[Time: 01:46:32]

Mayor Lane: Councilman Phillips?

Councilman Phillips: Maybe my question was answered somewhere in there. I don't know. When you have like 5/8 inch meter to 1 inch meter, 50 cents a month, water going in and sewer going out, it's another 50 cents a month, the homeowners' bill increased by \$1 a month, correct?

Water Resources Director Brian Biesemeyer: I have a slide that shows typical customer costs and you are correct.

Councilman Phillips: Okay. Alright, I'm losing my train of thought here. 6-inch meter, can you tell me who has something that size?

Water Resources Director Brian Biesemeyer: Typically that would be a very large commercial gallery or something. I don't know. I could get it to you, certainly, that information, but it would be something to that extent.

Councilman Phillips: So what you are saying is 280 to 390 as compared to what we are paying for that water.

Water Resources Director Brian Biesemeyer: It's a small percentage of the total bill.

Councilman Phillips: Thank you.

Mayor Lane: Thank you, Councilman. Do I have a new request to speak from staff?

Enterprise Finance Manager Gina Kirklin: Yes, Mayor Lane and members of the Council, typically customers with 6-inch meters would be people like hospitals and industries like Motorola.

Water Resources Director Brian Biesemeyer: Gina, do you have any of those lists with you? Okay.

Mayor Lane: Okay. You are set. If you would, Brian, please continue.

[Time: 01:48:15]

Water Resources Director Brian Biesemeyer: So we were talking about the sewer base fee, I believe.

And then moving on to volumetric charges and sewer. As you know, our sewer rates are based on water flows and 90% of water flows try to estimate indoor usage, but also the volumetric charges are done by user classification and this is based on the strength of the sewage return to us. And the cost is based on the stronger the sewage back to us, the more polluted it is, and it takes more energy to clean that up. And as a result, we did a cost of service study as Ms. Kirklin mentioned and in 2014 that showed that our charges for several classes did not align with the actual strength of the sewage returning to us. Meaning they were getting a discount for the strength of sewerage being returned and so when we targeted the increases, those areas where the strength of the sewage being returned justified an increase in costs and those are particularly our dining institutions.

Over all, kind of some summary of the water charges and the revenues expected is \$1.3 million on the water, slightly under \$1 million on the sewer and the net change of the lower \$2.3 million. And for typical customers while we set rates based on our five-year plan and our costs, we do like to give Council an idea of where we stand representative to other valley cities. And for a 5-inch meter with 11,500 gallons of water using and sewage usage of 11,000, you can see that the bill increase would be \$1 per month for that customer, raising their bill from \$61.07 to \$62.07. But you can see that raise did not change proportional to other cities. Same thing with the 1 inch meter and this is a larger consumption of 17,000 gallons, with 12,000 gallons of sewer. A total difference on this is \$1.50 a month for some with this consumption and a 1 inch meter. And that concludes my presentation pending your questions.

[Time: 01:51:13]

Mayor Lane: Well, thank you very much Mr. Biesemeyer. I appreciate it and the presentation and the answers to the questions. I have one small comment, I suppose to make in regard to other municipalities and that is that I know that in the case of Mesa, they are on record as using their utility charges to supplement certain tax funds or general fund and they transfer over to that general category, something that they stopped doing and they reformed a bit several years ago. I would imagine that's why they are on the higher end of this, on the overall. I don't know about Glendale, but I think it's interesting when you think about this because other than Glendale, this is a pretty close pack of comparison, comparative costs which I think is a good thing. I think for, let me see, is that, yes, that's the 1 inch meter sewer use. Yes, the other is at 5/8 inches. That does show quite as much difference as the 5/8 inch. So it may be something different than what I'm proposing, than what I'm thinking but nevertheless, it's still a pretty close pack in the way of numbers on that and I think that's reflective, I think, to a great deal of accuracy and consistency of costs in some of these areas. I don't know how our water contracts compare with others but nevertheless, certainly our utilities ought to be pretty closely aligned.

Water Resources Director Brian Biesemeyer: Mayor Lane, I may comment that Gilbert and Chandler are fairly flat cities and they have a significant advantage on power costs. When you pump water uphill, it costs a fair bit. And part of our geography is, you know we have great views and we have some places that are fairly high up and it does cost money to pump water uphill. That's a cost that Chandler and Gilbert do not experience.

Mayor Lane: So I hear what you are saying, if that's, of course, they are on the lower end, I suppose. Maybe that's a reflected difference.

Water Resources Director Brian Biesemeyer: I would argue that it is.

Mayor Lane: And I don't know how flat Mesa is. I would say it's probably flatter than we are and Glendale is the same. They may have other issues as I mentioned. We do have another question or comment from Councilman Phillips.

[Time: 01:53:43]

Councilman Phillips: Thank you, Mayor and I guess you could say these are my closing statements here. It's not really about the water department so much, but the fees in general. The Mayor's original comments about some of these fees I agree with on most parts. We saw about development review and I'm not sure if this was a DRB development review. I'm not sure we should be charging people a fee for that because they have to do it. They have no choice. The Board of Appeals, the same thing. Storm water fees for appeals I don't agree with. That WestWorld fees, I don't agree with that either. I think we gave them large fee increases last year and I think they are trying to get things going. The last thing we need to do is dump a bunch of fees on them. Unfortunately we don't have the choice to say yes to these fees and no to those. Some people will get charged for fees. We don't get the choice of pulling them out of it. Thank you.

[Time: 01:55:13]

Mayor Lane: Thank you Councilman. I think overall this is a presentation for discussion and possible direction and I think the direction is presuming, I'm sorry, Brian, I was looking for you around the table. But I presume that the direction is pretty consistent with the exception of Councilman Phillips' last remarks that to go ahead and continue this. This is something that we can bring into the budget process for final determination in any case.

Water Resources Director Brian Biesemeyer: Mayor and Council, that's correct. This is just a first look at these proposals.

Mayor Lane: There's not been any real significant element that hasn't been responded to and answered that we are looking for a change, like I say with one consideration, with Councilman Phillip's objection to it on the overall. So with that again, I will thank you very much for the presentation and the answer to the questions on the overall. So that takes care of that.

**ITEM 25 – MONTHLY FINANCIAL UPDATE**

[Time: 01:56:17]

Mayor Lane: We will move on to the next item which is our monthly financial update and it looks like we have our treasurer at the podium standing ready to start anew. Mr. Nichols welcome back.

City Treasurer Jeff Nichols: Mayor and members of Council, thank you very much. The monthly financial update as of January 31<sup>st</sup>, 2015 we'll start off with general fund operating sources, fiscal year-to-date numbers. The beginning there, the sales tax, the 1% general purpose public safety, I will drill down into later. Where I would like to focus right now is if you look about midpoint, other licenses, permits and fees, you see a \$1.3 million favorable variance or 27%. The majority of that is related to WestWorld facilities, favorable variances, budget, actual over budget and the rentals, the concessions and the parking, plus the contributions if you recall from the Arizona Quarter Horse Association, the Arabian and the Barrett Jackson Car Auction.

We also have a few that are related to timing. We received some receipts for the PNT Ambulance contract that were due. We didn't budget for them. They were due last year, we got them this year. And also some timing issues related to liquor license fees. The other one I would point out is the miscellaneous fees two-thirds of the way down, the \$1.3 million favorable variance of about 43%. The majority of those were related to favorable variances in the SkySong rental property. We renegotiated a lease that was not budgeted for and we also have increased cell tower leases and outdoor dining leases.

In addition, we recovered about \$100,000 of utility expenses from prior year, and we have two timing issues in this category as well. We received approximately \$200,000 from the Scottsdale Unified School District for the Scottsdale resource officers, and also a timing related to the TCP payment to the tune of about \$250,000.

One item I have been reporting on fairly consistently, since the beginning of this fiscal year, you see the building permits. We are still enjoying a \$2.5 million favorable variance in that area, approximately 37% actual above budget. And I would just again like to point out under the interest earnings we are seeing some increased revenues related to interest as the rates increase. However, at the end of the year, we will make our accruals and we feel that will be in line with what we budgeted.

Drilling down into the sales tax area, as you can see, the vast majority of the \$1.3 million favorable variance down on the bottom right-hand corner is due to construction. And that relates to the multi-family housing and the single residential housing for the sales taxes. When we look at our year-over-year change in the 1% general fund, the general purpose sales tax, you see a slight increase from December to January up to 4.9%. What's not clearly evident in this slide is that actually when we compare the sales tax to the prior year, it's up 6%, comparing actuals to actuals.

Some of the general fund operating uses by category has some significant savings, a slight 1% variance but \$100,000. The majority of that is relative to filling positions in the police department and the community services department. People are retiring and we are filling the positions at lower salaries and we are enjoying the savings; however, that's offset by the unfavorable variance of overtime of approximately \$800,000. The majority of that unfavorable variance is in the area of police and fire, and, again, while they are improving, what I would like to report is some of the overtime the unfavorable variance in overtime with relation to the P.D. is going to be moved out there. There will

be an adjustment for the overtime costs related to the Super Bowl and Pro Bowl activity for which we will be coming back later in this fiscal year.

Favorable variance in capital outlay, contractual, the capital outlay, the majority of the favorable variance in this area is related to, excuse me one moment while I catch myself. In banking services and armored car services and the city treasurer's division, we have made budget adjustments related to that. So we won't continue to enjoy that but those fees fluctuate throughout the year.

Community services also is enjoying a favorable variance due to pending invoices also timing issues due to the library's new system, Polaris. And we have some seasonality in the adult sports and grant and subsidies program. So more than likely those won't last throughout the end of the fiscal year. There some offsets in this category. Right now public works has an unfavorable variance in their capital outlay which I had reported previously was related to the selling of the office buildings, the H.R. office buildings and the McKnight office building and moving them into the facilities. While it did cost us, not having to operate and maintain those buildings will accrue savings to us for some time to come.

Bottom line is you see there, Bottom right-hand corner about \$700,000 favorable variance in operating uses. It actually equates to 0%. So we are right on target with our operating uses by category. When you look at divisions, you don't see much in the way of unfavorable variances. Again public safety, police, some of that related to an ammunition purchase and this year that was not budgeted. However, the one unfavorable variance of \$300,000 and public works, there's actually some favorable variances in public works that are in place being the \$680,000 related to contractual work that was done to move staff.

The bottom line is as of January 31<sup>st</sup>, 2015, you see there 4% or \$5.5 million favorable variances and actual sources over budget and the uses right on target. When comparing the budgeted change in fund balance, we have a \$6.2 million favor label fund balance change year-to-date. And with that, I would be happy to take any questions you all might have.

Mayor Lane: Well, thank you very much Mr. Nichols. It's a very good report and very comprehensive. So thank you for that information. I see no requests to ask a question or to comment on any of your figures. So that's a credit to you. Thank you.

#### **ITEM 26 – LEGISLATIVE UPDATE**

[Time: 02:04:30]

Mayor Lane: As I mentioned earlier, the legislative update was removed at the request of staff. That was item 26, which would be our next item. And so it has been removed. There are no further public comment cards. And no receipt of petitions. No mayor and council items of note.

#### **ADJOURNMENT**

[Time: 02:04:43]

Mayor Lane: So with that, I would accept a motion to adjourn.

Councilwoman Littlefield: Motion to adjourn.

Councilmember Korte: So moved.

Mayor Lane: Seconded. And all of those in favor of adjournment please indicate by aye. Opposed with a nay. We are adjourned. Thank you very much to staff and to everyone who stayed to witness this.