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#### **CALL TO ORDER**

[Time: 00:00:08]

Mayor Lane: I had to turn off all of my electronics. There was a delay in getting started. And I don't even need to gavel down. So good afternoon, everybody. It's great to have you here. And we're ready to call to order our November 10<sup>th</sup>, 2015, city council meeting. Just as a note, we will have Councilmember Korte, she will be calling in. Councilman -- Councilwoman Korte, are you on the line?

Councilmember Korte: Yes, I'm here.

Mayor Lane: So we will start with the roll call, please.

#### **ROLL CALL**

[Time: 00:00:26]

City Clerk City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

City Clerk Carolyn Jagger: Vice Mayor David Smith.

Vice Mayor Smith: Present.

City Clerk Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

City Clerk Carolyn Jagger: Virginia Korte.

Councilmember Korte: Here.

City Clerk Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

City Clerk Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

City Clerk Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

City Clerk Carolyn Jagger: Acting City Manager Brian Biesemeyer.

Acting City Manager Brian Biesemeyer: 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.

Mayor Lane: Thank you. Just some items of business. We have cards if you would like to speak on the subject. The white ones are for speaking and the yellow are for the written comments that we will read through throughout the proceedings. And those are for any of the agenda items or for public comment. We have Scottsdale police officers Tom Cleary and Jason Glenn right directly in front of me, about 11:00 in front of me. If there are any emergencies, please see the Scottsdale fire

department person. Right directly in the back there. Thank you very much for being here. The areas behind the council dais are reserved for councilmembers and staff. We have restrooms under this exit sign to my left, for your convenience.

**PLEDGE OF ALLEGIANCE**

[Time: 00:01:47]

Mayor Lane: And this afternoon, we have Cub Scout Pack 446 with their leader Michael Smalley here to give us the Pledge of Allegiance. Gentlemen, if you could come forward, please. And if you can, please stand for the pledge. It's a good sized group!

Pack and Troop 446 Leader Michael Smalley: Will the audience please join me in the Pledge of Allegiance.

Pack and Troop 446: 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: Gentlemen, if you would like, we can turn that microphone around, as Mr. Smalley is doing right now and one by one, if you could get on this side of the microphone to be ready to speak to the audience. So --

Pack and Troop 446 Leader Michael Smalley: Mayor, thank you for having us. On behalf of Pack 446 parents and scouts, we are here to do our duty today to do our best, to honor this chamber and we thank you so much for having us today. Boys?

Mayor Lane: Thank you, Mr. Smalley.

Pack and Troop 446 Leader Michael Smalley: Thank you.

Mayor Lane: You can go up to the microphone and introduce yourself and tell us where you go to school and what your favorite.

Miguel Aguirre: My name is Miguel Aguirre. I go to OLPH and my favorite subject is math.

John Nichol: Hi, my name is John Nichol, I go to OLPH, and my favorite subject is science.

Ryan: My name is Ryan, I go to OLPH and my favorite subject is science.

Ryan Feign: Hi, my name is Ryan Feign, I go to OLPH and my favorite subject is physical education.

Jacob Paxon: Hello, my name is Jacob Paxon, and I go to OLPH and my favorite subject is math.

Michael Cisco: Hi, my name is Michael Cisco, I go to OLPH and my favorite subject is P.E.

Charles Peskatori: Hi, my name is Charlie Peskatori and my favorite subject is P.E.

Noah Fagan: Hi, my name is Noah Fagan and my favorite subject is math.

Connor Oman: Hi, my name is Connor Oman and my favorite subject is math.

William Johnson: My name is William Johnson and my favorite subject is science.

Gabriel Aguirre: Hi, my name is Gabriel Aguirre and my favorite subject -- I go to OLPH and my favorite is P.E.

Avery Montez: Hi, my name is Avery Montez and my favorite subject is E.L.A.

Stephen Wood: Hello, my name is Stephen Wood, I go to OLPH and my favorite subject is mathematics.

Alex Johnson: Hi, my name is Alex Johnson, and my favorite subject is reading and writing.

Sasha: Hi, my name is Sasha and my favorite subject is math.

Connor: Hi, my name is Connor and my favorite subject is math.

Matthew: Hi, my name is Matthew, and my -- I go to OLPH and my favorite subject is P.E.

J.T.: I'm J.T. and I go to OLPH, and my favorite subject is math.

Charles Smalley: Hi, my name is Charles Smalley. My favorite subject is math.

Anthony Nikolazakis: My name is Anthony Nikolazakis and my favorite subject is science.

Jacob Dellinger: My name is Jacob Dellinger, and I go to OLPH and my favorite subject is math.

Mayor Lane: Thank you, gentlemen. For invocation this evening, we have Pastor Brian McAnally from the Scottsdale Bible Church. Pastor?

## **INVOCATION**

[Time: 00:06:67]

Pastor Brian McAnally: Thank you, Mayor, thank you Council. Please -- will you please join me with an attitude in prayer as we approach God. Lord God, we do thank you for this day. We recognize that we are here today at your good pleasure, that the blessings that we enjoy, we enjoy because you are good and because you love us. And you brought us together for an important purpose today.

We ask that your presence would be here and you would lead and guide. Father, I do thank you for the mayor and the council, for their willingness to serve this community. Lord, I pray for them tonight that you would give them wisdom. Lord, certainly we understand that they bear that responsibility to lead well. So we just ask that you would bless them as they seek to do that with sincerity and earnestness. God, I pray for those who will be speaking tonight, that you would give them the words that would effectively communicate the issues that are in their mind and in their heart and that they would be able to be succinct but be clear and that their words would accurately represent what they are trying to say. And lord, we just pray for unity. We pray for a pervasiveness of civility and we would be honorable with one another, recognizing that you have brought us all together in this great place. Lead and guide. Thank you, God, for hearing this prayer. Amen.

Mayor Lane: Thank you pastor.

### **MAYOR'S REPORT**

[Time: 00:08:35]

Mayor Lane: Okay. The next item is just my mayor's report, and recently dozens of cities were selected by a judging panel at the Center for Digital Government as the most strategic, efficient, and innovative guards of public sector tech in the nation. Scottsdale was ranked number 7 in the 250 -- or rather 225,000 to 500,000 in population category. Our new mobile response website was noted along with the information technology department's efforts leading regional public safety communications, integration, consolidation, the city's own public safety data infrastructure and improving in the fire department's electronic patient care records process. This is the third straight year that the city of Scottsdale has been honored as a top digital city. Recently councilman guy Phillips accepted award at the National League of Cities conference last week in Nashville, Tennessee, and here to accept the award tonight is Brad Hartig, our chief information officer. Brad?

### **PUBLIC COMMENT**

[Time: 00:10:33]

Mayor Lane: The next item of business is public comment and it's reserved for citizens' comments regarding non-agendized items of which no action will be taken on these items. We do have several requests. We have speakers that are limited to three minutes each and up to a maximum of five speakers. There will be another opportunity at the end of the meeting to do the same. Right now, we do have -- well, we do have the maximum of five requests to speak for public comment, and we'll start with Dr. David Peterson, of Scottsdale unified school district. Dr. Peterson.

David Peterson: Good evening, mayor, city councilmembers, I'm Dave Peterson, the superintendent of Scottsdale schools and I'm here along with my colleague Dr. Jan Gehler. We are here to celebrate and share the success of our schools which is made possible by having a great community that supports us, as well as a strong relationship with our city. Many of us remember our neighborhood school, a place in which every community and institution had a stake, place for students and teachers.

A place where students knew they were safe and where their actions were monitored not only by staff but by the neighbors. The school down the block was our school, filled with our children. I'm pleased to say that these neighborhood schools continue to thrive today in Scottsdale. The relationship between schools and other community institutions such as community organizations, businesses and churches are also understood in this way. Interpersonal relationships between individuals across these institutions provide the glue for innovative collaborations on all levels. These partnerships strengthen relationships in our entire community, building the collective capacity for the schools to thrive in this way as we have a direct impact on students achievement. We are a highly performing school district and have a highly respected pipeline. It continues to the strengthening of the development of each other and provides for a firm foundation for education renewal and community generation.

Together with the Scottsdale chamber of commerce we have embarked on a new issue called B.U.S.S., Business United for Scottsdale Schools. The Scottsdale schools is enhanced by the business community. It's embracing prekindergarten to create workforce development strategies that attract and retain the very best teachers, students and workforce. All of this together will result in enhanced in economic development, where people want to live, work, learn and play. I'm proud to say that the Scottsdale schools had 90% graduation rate and 92% went on to college. We out performed sister school districts on state assessments and we have students that are earning their high school diploma and A.A. It's a rich collection of resources which can be used for strengthening our social fabric, the fabric that's bill within the community. I believe the key to lasting solutions comes from within, the gifts and skills of our residents and the physical community combined to be a destination others look up to. Together, we are institutions that support individuals as gathering centers economic entities and incubators. Every community has a rich fabric of positive stories that define it and in Scottsdale our educational entities are strong threads in that fabric. We have tremendous potential because we all work together for the common good. In the 21<sup>st</sup> century, nothing is more important than preparing our young people to achieve success in a postsecondary education, and in the labor market that increasingly rewards skills and knowledge. Our city's public schools are where the most people come to gain that knowledge and be prepared. With B.U.S.S. we will continue to make our students tomorrow's accessible workforce and Scottsdale will be a place that businesses will want to anchor in. Thank you.

Mayor Lane: Thank you, Dr. Peterson.

[Time: 00:14:40]

Jan Gehler: Just one comment. And I know that our time is up. I have materials that carries our message. Dr. Peterson and I said for a long time that we thought it was important to come share good news with you, and to help you have a better and maybe a deeper understanding of how our partnership works. And I will say that we are involved in education from different angles, different perspectives but our missions are really united and that is to see each one of our students succeed, no matter where they are along the educational pathway. Thank you very much for tonight and I have some material that carries a little bit more on message. Thank you.

[Time: 00:15:18]

Mayor Lane: Thank you Ms. Geller and thank you Dr. Peterson. Next is Scott Calev followed by Bryan Ruth. We will get it -- go ahead and put it down and we will focus in on it.

Scott Calev: A pledge was made by this council for an agenda months ago and was issued and ended up in every water bill and sewer bill. As I understand factually, it was only supposed to go to businesses. People are finally rising up and saying no to this agenda. Laws have been passed to protect this minority and now enough is enough. Who on the city council generated the mistake with staffing so it would go to every water and sewer bill household, the 106,000 households or was this not an error but part of an agenda of the city councilmember? Someone on this city council took what may have been thousands or tens of thousands of dollars from the city. You are dealing with the public money and the public trust. Someone on this city council wants to ram down the throats of unsuspecting residents an already overstretched agenda and focus group. A focus group and agenda that looks to close businesses and churches who will not succumb to the agenda. This focus group is 3 to 5% of the United States. Time and time again, research shows this, with Arizona at 3.9%. Not the 25 to 50% that our liberal spin media and Hollywood would make it out to be. The population of Scottsdale is 217,000, with 3.9%, that's about 8500 Scottsdale residents. I hear this city council person now wants an ordinance to further force this agenda on the family and business of Scottsdale. I don't know the city council had become so ultra-liberal. I thought the city politics were nonpartisan. I know this to be just smoke and mirrors.

We have a problem, people. Someone stole and violated the ethics and rules with this letter. Someone misdirected taxpayer funds. This someone is Virginia Korte and I'm asking her to resign and a full investigation of this situation. In conclusion, Jim, when can we expect a letter to every household signed by all members pledging to support traditional family values, the traditional family and the values of our Judeo-Christian country in business and in family. I think the next election, do we want, Lane says no to traditional family values? Milhaven and Klapp say rid the church in Scottsdale. That is what your letter said, and when I went to vote last week and stood by a table where people were signing to support various candidates, who will be running again, the conversation was about that letter and a lot of people were mad and disgusted by that letter. Thank you very much for your time.

Mayor Lane: Thank you, Mr. Calev.

[Time: 00:19:07]

Councilwoman Milhaven: I would like to correct the record.

Mayor Lane: Since your name was mentioned, yes, you may.

Councilwoman Milhaven: I would like to correct the record. The majority of the city council directed staff to send that letter to all water bill recipients, business and personal, because both

businesses and people can sign the unity pledge and to suggest a councilmember that did anything different than the majority is inaccurate. Thank you.

[Time: 00:19:32]

Mayor Lane: Next is Brian Ruth, who I believe is standing at the podium. Mr. Ruth?

Bryan Ruth: Honorable Mayor and Council, thank you for the opportunity to speak with you this evening. My name is Brian Ruth and for the past 15 years my wife Susan and I have lived at 9090 East Gray Road here in Scottsdale and approximately four years ago I retired after a 30-year career with Scottsdale Insurance Company. As both a resident and a former member of the local workforce, I'm here tonight to talk about why it is so important that Scottsdale consider moving forward with a fully inclusive nondiscrimination ordinance that protects all people in Scottsdale, including LGBT individuals. I'm an Air Force veteran, having spent 11 years in security forces and obtaining the rank of technical sergeant. After my discharge from the Air Force and over the years, I became acquainted with an individual who was a Vietnam veteran who served honorably in combat and having been awarded the purple heart for injuries he received in Vietnam. My friend is a great man who I admire and respect and we have a lot in common. One thing that we do not have in common is that he is gay and I am not. And while at first this did not give me pause and as I have come to know him even better and based upon my experience, I know that whether you are gay, straight, Muslim, Jew, Christian, agnostic, a soldier is a soldier. My friend is a patriot who fought for this country and was willing to sacrifice his life that we may be here tonight and express our opinions. I would trust him with my life and our friendship has taught me a great deal about myself. It is also made me realize how unfair our laws can be to people of the LGBT community. It is wrong that we are treated differently in the eyes of the law. It is wrong that I am afforded greater protections than he simply because I'm not gay. It is wrong that I don't have to worry about being fired, denied housing or refused service, simply because I'm not gay but my friend is. And that's why I'm here tonight, to ask that you move forward with a fully inclusive nondiscrimination ordinance so that my friend and I are treated and protected equally. And let me be clear I am not asking or advocating for special protections but for equal protections so that we can enjoy the same freedoms I have, the same freedoms we both fought for and we both risked our lives for. I stood with my friend then and I stand with him now, and that's why I'm here tonight standing with the LGBT community. Thank you very much for your time.

[Time: 00:22:52]

Mayor Lane: Thank you Mr. Ruth. Next is Stanna Slater.

Stanna Slater: Good evening, honorable Mayor and town council. My name is Stanna Michele Slater. I built my home here 23 years ago in the Rio Montana subdivision. My business is a law practice, known as the law office of Jeffrey Slater. It bears my birth name, Jeffrey, and as you probably already determined, I'm both transgender and here to speak in support of a potential nondiscrimination ordinance. In my 23 years as a resident here in Scottsdale, I have paid my taxes to the city, and have voted on all the key issues. I have even helped to elect most of our city's current leadership by my vote at the ballot box. I want to thank each of you who are leading our city this

evening, for your dedicated services to our citizens. In addition to being an attorney, I serve on the board of directors at an Arizona nonprofit that helps at-risk valley youth who identify as gay or transgender. Many of the youth have been bullied to the point of having to drop out of school. Some are even homeless. The type of discrimination that some of these youth have suffered includes unspeakable violence and exploitation. One of my proudest achievements in life is serving our state and country in the National Guard. I was directed to ready my artillery unit to lead Arizona for war. As I prepared, I often wondered if my colleagues and I would end up paying the ultimate sacrifice in the desert of Kuwait or Iraq. Never once, however, did I think some Arizonans are worth dying for, while others are not. I had taken an oath to fight for the freedom of all Americans. One of the greatest things about being American is that we let God decide who goes to heaven and who doesn't. Meanwhile, we fight to ensure that every American has the right to find God in that sacred place where only God can reach any of us, based on our own unique state of human frailty. At our city's last public meeting on the prospect of a nondiscrimination ordinance, many were surprised to learn that the opposition harbors such profound hostility. I was not surprised as I'm a target of ridicule and ostracizing. I ask that you consider the following points. Scottsdale has worked hard for over a century to become a long place to live in natural beauty and work in high-tech industries and vacation in comfort and receive state-of-the-art healthcare. We sometimes receive a bum rap for being uppity, but we community to the world that we remain cutting edge without ever compromising our compassion. Thank you.

[Time: 00:26:39]

Mayor Lane: Thank you, Ms. Slater. Next is Mary Wilber.

Mary Wilber: Mayor Lane, and members of the city council, my name is Mary Wilber and I live at 16389 North 108<sup>th</sup> Place and I have been a Scottsdale resident for 15 years. I ask you to vote for to update the nondiscrimination ordinance to include sexual orientation, gender identity, and veteran status. Now you may wonder why someone who doesn't belong to any of these three groups would feel so strongly. Let me tell you that my feeling on this has come from several influences, professional, cultural and religious. As a retired librarian, and I did work in this city, I know that libraries have always been prided themselves on serving all members and segments of the population and that inclusiveness has served us well. From the cultural point of view, I'm very involved in Irish American community here. I left the McClelland library to get here today. And what has impressed me so much is that several months ago, the Republic of Ireland, with a popular vote overwhelmingly voted to ban discrimination in regard to marriage. And this is a country that is overwhelmingly Catholic. But the feeling of most people in Ireland is that discrimination is just wrong and it should not be tolerated. I know that Scottsdale is just as progressive as the Republic of Ireland. I also belong to a congregation that is known as a welcoming congregation. Our faith tells us that discrimination is wrong. We believe in the inherent worth and dignity of every human being. But because it's clear that everyone does not believe this way, we need laws to protect the gay and transgender community so that when people like Stanna who spoke so eloquently before we tonight are discriminated tonight, she has the same recourses I would have, if I was discriminated against. Scottsdale is a world-class city in so many ways. And it would be a shame if our community fell behind in this regard. I think it's important that our city respect and protect every person who lives

here, who works here, who visit here. So please don't let our great city fall behind in this area. Thank you.

Mayor Lane: Thank you, Ms. Wilbur. That concludes our public comment.

**ADDED ITEMS**

[Time: 00:29:42]

Mayor Lane: So we are moving on to our next items. Our next item is for added item or items and consent items number 21a and 21b were added to the agenda on November 5<sup>th</sup>, 2015. And so we need to request a vote to accept the agenda as presented with those two items or continue the added items to the next scheduled council meeting, which is November 17<sup>th</sup>. Do I have a motion?

Councilwoman Littlefield: Mayor, I move that we accept the agenda as presented.

Councilwoman Klapp: Second.

Mayor Lane: Okay.

Councilwoman Littlefield: It's up there. Okay thank you.

Mayor Lane: Seconded by Councilwoman Klapp. We are then ready to vote on that. All those in favor please indicate by aye. Those opposed with a nay. Aye.

Councilmember Korte: Aye.

Mayor Lane: Okay, it's unanimous then. I have a note to keep those items on the agenda as indicated. So that would be 21a and 21b.

**MINUTES**

[Time: 00:30:53]

Mayor Lane: And the next item is the minutes to approve the special meeting minutes of October 20<sup>th</sup>, 2015, regular meeting minutes of October 6<sup>th</sup>, 2015 and October 20<sup>th</sup>, 2015, work study session minutes of course 13<sup>th</sup>, 2015, and executive session minutes of October 20<sup>th</sup>, 2015. The motion? The motion to approve?

Councilwoman Littlefield: So moved.

Councilwoman Milhaven: Second.

Mayor Lane: The motion has been moved and seconded. All of those in favor, please indicate by

aye, those opposed with a nay.

Councilmember Korte: Aye.

Mayor Lane: It's unanimous then, 7-0 to accept and approve the minutes as been presented.

### **CONSENT AGENDA**

[Time: 00:31:43]

Mayor Lane: Next order of business is our consent items 1 through 21b, as has just been affirmed. And we do have a request to have a presentation on 21b by Councilwoman Suzanne Klapp. Do we have the ability to give a presentation on that. Chief Shannon?

### **ITEM 21B – MOBILE INTEGRATED HEALTHCARE PRACTICE REPORT**

Fire Chief Tom Shannon: Good evening mayor, and council. So this is a quick update on our mobile integrated health care program. I would like to introduce our team members, Steve and Ashley, who are here for you if you would like to get really deep into the weeds and find out exactly what is going on in this very effective program. So it's been just a few months since council approved the pilot study with honor health to really explore an emerging area of healthcare and that is the out-of-hospital experience, Brian if you want to go to the next one or I will. Okay. So the program has been going on about 12 -- the 12-month program, and it's been going on since about August. It took just a little bit of time to spin up and get moving. This includes mobile resources from both the fire department and honor health, and it's represented by both our nurse practitioner and our captain paramedics.

The obvious goals are to improve healthcare outcomes in the pre-hospital environment, and effectively reduce the cost of health care as well as reduce the calls for service in the 911 system. Right now, some of our pertinent patient demographics are 33 patients who are high utilizers. We could call them legacy users, folks who call 911 quite a bit. They range from a minimum of 10 calls a year, up to about 67 calls a year within the 911 system. There were 14 patients who were referred by the first two companies, those fire companies that are out in the field as being potential candidates for the program, but did not come as an indicator from high utilization. Two patients were directly referred from our senior centers who are excellent collaborators and then 24 patients represent a post-discharge direct referral from the hospital system, which is a very important and integral part of the program itself. So currently, of that patient population, we have 24 enrollees.

Two have graduated and I asked the staff, what does graduated really mean? Well, that means they are no longer using the 911 system as their primary source for healthcare. They have also become more informed about how to utilize the existing healthcare system that is afforded to them, which that be Medicare, Medicaid, access, private pay, or just a relationship with their primary care physician. We expect two additional parties to graduate today. So that's a direct impact from the work that's been going on from both Steve and Ashley.

The key for this is to identify why these folks are utilizing the 911 system or finding the emergency room as their primary source for health care and connect them to the resources that they may or may not be aware exists. And then unfortunate history, one of the sad realities of this out-of-hospital environment is that there's about a 60 to 70% behavioral health component to that and that can be everything from the condition created behavioral health issues or behavioral health issues are contributing to a medical condition. But in any case, the two go hand in hand. That's something that exists throughout all of the studies that are going on in the valley and, frankly, nationally.

We are here to answer any questions for you. There's a lot of reason to be optimistic that this pilot is doing exactly what we thought it would do and that is identify folks who are high utilizers, potential utilizers as was indicated by some of our fire companies saying, hey this client may be a potential enrollee. And then the importance of what the healthcare system can do to feed the program and identify folks who might be at risk once they are released from the hospital. So that's it for the first quarter update. We are here to answer any questions for you, should you have them or let you talk to the participant.

Mayor Lane: Thank you, chief. I very much appreciated that presentation. It was on the request of just the presentation but this may be some questions from council. We do appreciate it. Thank you very much. That item is a consent item and it was only just for presentation, and not for separate vote and thanks again for that input.

So unless there are any other items. We have 1 through 21b and I would accept a motion on those.

Councilwoman Klapp: Mayor, I make a motion that we accept items 1 through 21b on the consent agenda.

Councilwoman Milhaven: Second.

Mayor Lane: The motion has been made and seconded. Seeing there's no further comment, I think we are ready to vote. All of those in favor of consent items 1 through 21b, please indicate with an aye.

Councilmember Korte: Aye.

Mayor Lane: It's unanimous then, the consent items 1 through 21b were accepted unanimously. If you are here for the consent items you are free to leave or you can certainly stay for this, for the rest of the items we have.

## **ITEM 22 – SCOTTSDALE CULTURAL COUNCIL REQUESTS**

[Time: 00:38:10]

Mayor Lane: I will move on then to our singular regular agenda item which is the Scottsdale Cultural

Council request and we have Mr. Stockwell at the podium, our assistant city manager to give us a presentation. Mr. Stockwell?

Assistant City Manager Brent Stockwell: All right. Good evening, mayor and members of the Council, if this item seems familiar to you, it's because it is. More than six months ago, at the April 14<sup>th</sup> budget meeting, you reviewed a similar list from the Scottsdale Cultural Council. At that meeting, the City Council evaluated this request and return to the council once the final unreserved fund balance had been determined. That amount was determined and was shared by the city treasurer at the October 20<sup>th</sup> city council meeting. So this item is back for your consideration as promised.

Here's what we are asking you to do tonight. Take a look at these requests. They total 1.6 million and provide us directly on how much, if any, you want to use the unreserved fund balance to pay for these items in the current year or if you want to defer for consideration as part of the 2016/17 budget. You will see on the screen, they are broken out into two groups. Capital improvements and supplemental funding requests to reach that total.

For almost 30 years, the city has had a relationship with the Scottsdale Cultural Council to provide arts and cultural management and administration services on behalf of the city. There are two key parts to that relationship. The first is the management services agreement, which lays out the key responsibilities for the cultural council and the city of Scottsdale and the annual financial participation agreement, which funds that agreement, which for the current year is almost \$4.4 million. Under each of the obligations in the agreement, the cultural council has a role and the city has a role. For example, under the first item -- the cultural council manages and administered the facilities which are the center for the performing arts and the museum of contemporary art and the city of Scottsdale pays for the repairs and upkeep of those facilities. And so on and so forth as you go through each one of those. I thought it might be helpful to go through each of the -- each of three key parts of the management services agreement that are applicable to the decision tonight.

So the first one is this: The maintenance repair and replacement of special equipment. So the cultural council receives funds from the city to repair and maintain special equipment and fixtures but when they are damaged beyond repair or obsolete, it's the city's responsibility to replace those. Second, the cultural council has the ability to recommend capital improvements to city facilities and they need city permission to make any capital improvements and all capital improvements to city facilities are the city's responsibility unless other agreements are made between the city and the cultural council. Third, the cultural council has the ability to ask for additional funding from the city to pay for unanticipated extraordinary expenses or to support new initiatives that are in the best interest of the community and are consistent with the cultural council's strategic plan, which was forwarded to you earlier this year. However, there's no obligation to provide this additional funding. It's up to the city council to decide.

The city and the cultural council were under the same agreement in 08. It was indicated that the fees would increase by 3%. They had averaged 6% increases in the many years before that agreement went into place. So the 3% amount was lower than in prior years and it was thought at that time to

keep pace with what anticipated inflation might be. The amount in fiscal 2015/16 is 3% higher than the amount it was seven years prior in 2008 and 2009. And if they were included as anticipated, you will see that this would have been about 3.7 million more paid over that time, and the current year agreement would be about \$800,000 more than it is right now. I want to lay this out for you for context but keep in mind, it left the annual increases to the discretion of the city. So while they may have been anticipated at the time the agreement was entered into, they should not have been expected. The number overall, the city's division operating expenses are still down about 4% over that period of time.

This is the history of supplemental funding to the cultural council over the terms the current agreement in 2008/2009, there was a one-time operational increase due to the arts center renovation. Since there, there have been two projects that have been approved and completed, the first one for indoor sound equipment, the second one for outdoor sound equipment.

Since -- since April, city staff worked with the cultural council staff to evaluate these facility and equipment request. This included a tour of the facilities to view firsthand the needs and review of all the information provided to the cultural council. So after looking at all the requests, it was the conclusion of staff that the items that are listed here in group one, most closely fit the city's responsibility under the management services agreement and to help you out in the light blue there under each one of them, I placed the management services agreement that most closely aligned with each one of those.

Group two, those are more closely aligned with supplemental requests that were clearly more at the discretion of the City Council. The one exception in that is that last item which was discussed during the tour of the facility and came in after the initial staff review was complete. So landscaping of the facilities is something that's the responsibility of the city under the agreement but funding to improve the landscaping is not currently in the city's budget. So it would be viewed as a supplemental funding request.

Now the C.E.O. of the cultural council will come up and review each one of these requests in a little bit more detail from their perspective in a moment, but there are two more key things that I wanted to cover before I end my portion of the presentation. First, the city council has an approved financial policy regarding how to handle year end operating surpluses also called the unreserved fund balance. The first policy says that the contingency reserved are restored and we cover any unforeseen shortfalls. That's already been done. Then the default is to transfer the amounts to the general fund capital improvement program, unless otherwise directed by the city council. So either transferring the amounts or directly something different is consistent with the approved financial policy.

Second, this shows the current fund balance at the beginning of this fiscal year. The general fund reserve, that first line is there to provide long-term financial stability to the general fund. The operating contingency, the second line provides short-term for unanticipated expenses within the year. And then that third line, the unreserved fund balance is at the start of this fiscal year was 23.8 million, and that was about 2 million for than we thought when you were reviewing this item back

on April of this year. So that's the context I wanted to provide before Neale comes up to discuss the request.

As a reminder, the total amount of the request is just over 1.6 million. We are looking for your direction on how much you want to spend on this this year, depending on this direction, what we are going to do we are going to work after this meeting to prepare the necessary documents, because based on what you decide, some of it will go to capital projects and some of it will go to operating projects and we will prepare that resolution with the necessary documents to do those transfers and add that to an agenda for approval an upcoming council meeting. So that's all that I have.

[Time: 00:46:54]

Mayor Lane: Thank you, Mr. Stockwell. We do have several requests to speak, but if it's okay, after your presentation, at this point, I will go ahead and have the public testimony speak and then we can have you, Mr. Neale -- Neale Perl. And we will start with Jeff Beyersdorfer. Do I have it remotely close?

Jeff Beyersdorfer: Thank you Mayor, city council people. My name is Jeff Beyersdorfer; I'm senior vice president for Western Refining, Western Refining Logistics and Northern Tier Energy. Two of those companies are Fortune 500 companies and the other is a Fortune 1,000 company. We employ about 500 people here in Phoenix, and about 1200 in Arizona. And we contribute about \$2.6 million each year to Arizona charities at Western. What's important to me personally as I sit on the board of the Scottsdale Cultural Council and recently appointed treasurer of the organization, I also sit on the advisory board of the museum of music -- the Musical Instruments Museum here, and recently joined the finance committee there. I was very much involved in an organization from St. Louis, where I relocated from, called the center of contemporary arts, a similar organization to SMOCA. Arts are important to me as well as to western, as we want to provide not only a meaningful work environment, but a great cultural way of life for our families and employees.

In my short time as treasurer of S.C.C., I sat with Neale and Mal, the outside auditors and found Scottsdale Cultural Council has a good track record of financial accountability. Our operating budget has only grown a little less than 1% since 2007. It was about \$11 million in 2007, and about \$11.3 million in 2016, while the number of exhibits and performances has increased to a little under 1900 performances yearly, that's up from 2007 by about 16%. So we are doing more with the same budget. I recognized fund-raising is important for any arts organization to flourish and in looking at S.C.C.'s historical financials, our earned revenue and contributions now account for about 62% of our operating budget versus 56% a few years ago, reducing, we feel, our dependence on city funds, on city support. During that same time frame, inflation has run about 2 or 3% a year. If we were to assume the base level of city contributions, the 4.2 million in 2009, as you saw in the chart a couple of minutes ago and grow it by a 3% rate, the city's cumulative shortfall during that time frame is \$3.7 million. Said another way, if we increased the city's contribution to S.C.C. each year by 3%, since 2009, S.C.C. would have about 3.7 million more dollars to invest in providing arts experiences. This critical ask by S.C.C. we think will build a more well-rounded community for both Scottsdale citizens and tourists. Thank you.

[Time: 00:50:55]

Mayor Lane: Thank you Mr. Beyersdorfer. Next is Kathy Willis or Wills.

Kathy Wills: I'm Kathy Wills, a I'm native of Scottsdale. I'm here with Midfirst Bank here in Scottsdale. I'm here tonight to support the funding request for the Scottsdale Cultural Council. As a private banker here in this city for over 23 years I deal exclusively with high net worth clients and their companies. This represents a large part of our community. There are expectations for quality of life in this city, are exceptionally high as you know. This coupled with my own teenaged daughter's interest in the arts is the reason why I'm inters in the Scottsdale Cultural Council supported both in my interests and personally. I'm a board member for the board of trustees, and chair the development committee for the Scottsdale Cultural Council. There are several reasons I hope you will consider this funding request to upgrade and maintain the buildings and equipment owned by the city, and used to provide cultural experiences for Scottsdale's citizens and its tourists.

First, the city -- the people of Scottsdale expect high quality art. This is consistent with the city's vision of being a premier arts destination. In order to meet this expectation, and protect the city's quality cultural representation, we must keep our product competitive. Without the requested funds, the S.C.C. cannot deliver the quality it needs to compete with venues in surrounding areas such as Tempe, Mesa, Phoenix, and Chandler, that have better and more modern equipment and facilities. 100% of the requests funds is for this person with nothing allocated for salaries. It allows us to raise more funds for the program which will lessen the city's financial commitment in the long term. I see the efforts we make to raise money from individuals and corporations on a steady rise. There's a direct correlation of dollars raised to the perceived value of the organization's brand with the proposed upgrades, we anticipate this positive financial trend to continue in our organization.

Finally, S.C.C. is a good steward of this important aspect in our city. Our management team with Neale Perl at the helm provides late leadership. We are managing the strategic and financial plan which is closely aligned with the city's goals. We are balancing our books and selling out concerts and adding value to the city's arts assets every year this organization's goal is to make the city look good. For these reasons, I hope you will consider voting in favor of S.C.C.'s funding request and making a long-term investment in our city's future. Let's continue to make Scottsdale the number one arts destination in the state of Arizona. Thank you.

[Time: 00:54:04]

Mayor Lane: Thank you, Ms. Wills. Next is Andrew Chippindall.

Andrew Chippindall: Good evening, Mayor, Vice Mayor, Council, my name is Andrew Chippindall, I'm the general manager at the Hotel Valley Ho. I'm involved in the cultural council from the standpoint, I'm on the marketing committee, and eye chair the arts grants committee and I think I'm on the as soon as committee as well. I'm also a member of the Scottsdale tourism advisory task force, which is focused on the five-year strategic tourism plan. I'm an executive committee member of the

Scottsdale Visitors and Convention Bureau. As general manager of Hotel Valley Ho for over ten years now I can assure you that it's my firm belief that arts culture -- the arts and cultural offerings that the Scottsdale Cultural Council are important for our local community and our quality of life, and they add immensely to what can make Scottsdale special. They are also vitally important to tourism. Tourists travel to Scottsdale spend money in hotels, restaurants, bars, retail, they generate tax revenues and create jobs and they relocate businesses here. Much of that is due to events which involve Scottsdale Cultural Council.

I have been on the board of trustees for over six years now and not just active in the trustees but in their marketing committee, the finance committee, H.R. committee, et cetera. I'm involved in the cultural council because I know that what they provide is very important for tourism. Arts, culture and events is an important component of our tourism offerings an area that we are quickly losing ground to our neighbors, Mesa and Tempe. Key component of the tourism advisory task force, five-year strategic plan Cloughs arts culture and events. These are key drivers of tourism and as a member of the tourism advisory task force, we are looking how to build existing contributions from the cultural council divisions hasn't how we can further leverage the resources.

If we are to promote and attract people to our city and have them return time and time again, we must aspire to provide a world-class arts and cultural an events experience. It's managed by the cultural council that enter the true expectation of the Scottsdale experience, which they are paying for and receiving in our hotels and resorts. Not only does the cultural council support tourism in the educational programs they touch more than 30,000 students per year, 22,000 students in south Scottsdale alone.

Kind of an interesting fact. In order to continue to deliver these very important educational programs, it requires the best team of the cultural council, they need the latest resources, the tools and well-maintained facilities to create these programs. We need to maintain the facilities that the local tourists visit. Our cultural council board of trustees unanimously approved the funding request being presented to you tonight. Funding which is part of the -- what the city has asked the cultural council to do to provide expert advice, guidance, management and programming using the city's resources, its buildings and its associated specialty equipment to execute on what the city expects of its contracted arts and cultural provider. Please approve the funding request for our cultural institutions and our industry.

[Time:

Mayor Lane: Thank you, Mr. Chippindall.

Next, Mr. John Washington.

John Washington: Lest we forget happy 240<sup>th</sup> birthday to the United States Marine Corps and a grateful salute to our veterans on their day tomorrow, the 11<sup>th</sup> day of the 11<sup>th</sup> month. In preface to my remarks about the cultural council, I would like to say that I know that there are many dedicated employees and volunteers there. My remarks are not directed at them. They do a great job.

But having said that, the cultural council is a private business. It has a 20-year no bid city contract, both of which are explicitly discouraged in the city's procurement code and yet we did it anyway. The cultural council is a private business, which gets free rent in multimillion dollars taxpayer-owned facilities. The cultural council is a private business. It keeps 100% of the ticket sales, and gives none back to the city and it gets a \$4 million taxpayer subsidy every year in cash. You just convinced the citizens of Scottsdale that they needed to pay more taxes for fire stations, that should have basketball built with development fees that you squandered and to pave roads that should have been maintained with sales tax money that went along to other things the Scottsdale Cultural Council. Now you want us to believe that you found an extra \$1.6 million in the laundry and it should go not to roads or fire stations, or any of the other \$70 million in infrastructure needs that you said were critical, that the taxpayers did not approve. No. Instead, it should go to a private business, which apparently can't figure out how to scrape by with a no-bid contract, free rent and an annual \$4 million cash subsidy.

I suggest that this \$1.6 million should be reserved to apply to infrastructure needs, our catch up on a billion dollars in infrastructure backlog that nobody wants to talk about, and ironically, you have on item on your agenda to talk about talking about exactly that thing in item 24, put on the agenda by the former Scottsdale Cultural Council chairman of the board of trustees, the esteemed councilwoman Linda Milhaven and the husband of a trustee of the cultural council, Vice Mayor David Smith. Why don't we do that? Let's hang on to this money a little bit longer and figure out whether we really need it. Thank you.

Mayor Lane: Thank you, Mr. Washington. That completes the requests to speak on this item, and I appreciate Mr. Perl for standing by. If you would like to, you can come forward and continue the presentation from your vantage.

[Time: 01:01:32]

Scottsdale Cultural Council President Neale Perl: Good evening, Mr. Mayor, Vice Mayor Smith, and members of the City Council. I want to thank you for giving me the opportunity to come before you tonight on behalf of the Scottsdale Cultural Council, and the 400,000 people we impact annually. You have heard from three of our board members, who invest their time, talents and dollars and are passionate about helping us achieve our mission to not only serve our community but also be an economic driver for tourism. As we all know, Scottsdale's enviable reputation for an enhanced quality of life for its citizens and as a test nation for arts -- destination for arts and culture is linked to thriving community and quality venues. As you know, this is a special anniversary season for our organization, including the 40<sup>th</sup> of the center, where the mayor recently honored the cultural council with the city proclamation. We are also celebrating the 30<sup>th</sup> anniversary of Scottsdale public art, 16 years of SMOCA and 15 years of Scottsdale international film festival.

I'm proud to report to you that it's trending to be a banner year. At the center, we have already achieved seven sold out shows, the season just began and anticipate another eight performances to sell out very shortly. At SMOCA, we just opened three brilliant new exhibitions, and public art in preparation for canal convergence, just installed seven monumental fiber optic loons by Bruce Monroe

for tens of thousands of visitors to enjoy for free. Later in my presentation, you will see a photo of that wonderful piece of art. And to comment on Mr. Washington's remark about veterans, I'm also proud to say that over the years, we have provided almost \$500,000 in free tickets to our veterans for performances at the center.

I'm here as a follow-up on the presentation I made on behalf of the cultural council last April when the council deferred a decision pending clarity on the unreserved fund balance. Since then, literally self-hundreds of hours of research and collaboration between the city staff, the cultural council staff, numerous contractors, vendors and consultants has resulted in a more detailed and refined request. As a matter of fact, my colleague Owen has detailed information on everything that was entered in your packet. The bulk of this request is in response to the cultural council's responsibility to advise and inform the city about its commitment as reflected in its contract with the cultural council, to maintain and support its facilities and upgrade or replace its specialty equipment. The contract clearly states how the city is responsible for funding the majority of items in this request and it's based on the need to fulfill prior commitments and critical needs.

As Mr. Stockwell highlighted in his presentation, funding from the city -- and we know that has been. It's been difficult economic times -- has required us to make many accommodations to continue to meet the growing demands of our audience and artists while operating costs are also rising. We have substantially increased our contributed income over the past few years, 50% in the last three years alone. But it is simply not sufficient to cover the facilities and the commercial equipment needs. F.Y. '12 it was 1.4 million. It was a down year for the organization and last year our audited numbers are \$2.2 million. By having to spend more funds on repairs and equipment rentals and additional staff time to resolve associated challenges other needs which would have been covered under operating funds have been substantially curtailed.

Let me be clear about the use of word critical. We don't use this term lightly. Whether these items were previously approved and not funded, or accelerated from future budgets or items which could have been self-funded had the annual management fees increased and identified and awarded, these are critical for us to operate, maintain and be competitive in our region. You heard from one of our board members and I'm sure that many people here have attended wonderful events in Mesa, Chandler, Tempe and other venues throughout the region. We need to be competitive with these organizations, and these funds and equipment will allow us to effectively drive, earn and contribute revenue.

Let me see. So this information is organized in two groups, that is in your packet. Group one has four parts, and you see them listed here on the screen. And all of these items have been identified by city staff as falling within the responsibilities of the managed service agreement. Items A. and B. under this category are critical for us. Item C. pertains to acoustics in our atrium and item D. is critical but was identified by city staff as falling under a different category within the contract.

As a said, I know you have a detailed list in your packet and I will not take the time to go through every item one by one. But there you have the facility upgrades, the critical performance, equipment upgrades that's in your packet, the atrium acoustics which we discussed here before and was

approved back in 2009. That's one particular estimate we got to improve acoustics. I think you have all been in the atrium when they have tried to make presentations and you couldn't understand. If the acoustics were better, we could have more events. I know the fire chief complained that he couldn't be heard at an event he was at. This is something that has been deferred for many years. And group D. is equipment and furniture items.

Now, in group 2, these are supplemental funding requests. As Mr. Stockwell said, Item -- Section A., items 29 to 34 in your packets focus on replacement of obsolete equipment and the purchase of new hardware and software that will improve the performance of the cultural council in all of our divisions. Group 2B. is asking for \$100,000 in support of our 2016 canal convergence. Over the past three years, artist fees have risen almost 40%, due not only to a higher level of artists that we are attracting to Scottsdale. You heard me mention, Bruce Monroe, we are partnering with the desert botanical gardens and presenting an exhibition of his at SMOCA at the same time his work was installed in the canal. We are welcoming 12 different artists to canal convergence instead of seven. The event is almost exploding from the excitement that people have with the artistry that we are having. We have been actively fund-raising for the Scottsdale signature program and we would like to entertain a proposal to be our partner in this with a dollar for dollar match up to \$100,000. Finally, group 2c addresses the need around SMOCA and the center which has fallen into disrepair over the years.

In closing, and on behalf of our board of trustees, our three advisory boards, our donors and other stakeholders as well as our dedicated staff that's here tonight, we ask for funding in the amount of 1.6 million, and are grateful for the opportunity to serve our community and visitors throughout the year with our extraordinary program. I'm here to entertain any questions with the help of my staff.

Mayor Lane: Thank you, Mr. Perl and we will also be probably directing some questions to our staff as well. So --

Scottsdale Cultural Council President Neale Perl: Great.

[Time: 01:10:54]

Mayor Lane: So you can stand by there if you would like. I guess my first question, if I were to start since I don't see anyone popping up on the screen here, and they may complain about it later, about you nonetheless, I will go ahead and start. And Mr. Stockwell, to you, you were pretty definitive about the kinds of contractual obligations we have under our terms and conditions within the contract as it relates to capital items as well as specialty items and, of course, even additional funds that might be requested. Additional funds that might be requested or that are somewhat at our discretion, I suppose depending upon the arguments that are made are one thing. And specialty items, but specialty items and contract -- I'm sorry, capital items seem to be fairly definitively defined as something that our contract agent, cultural council would advise us of a need and we would end up having to put that within the schedule, within the city's obligations. Is that pretty much -- is that correct? And if it is do we have some provision to track these things as a matter of routine, rather than once in a blue moon?

Assistant City Manager Brent Stockwell: Mayor, members of council, if I request your question correctly, the routine process that we would follow for these types of requests is that throughout the budget year, we -- we notify the cultural council and any city department of any operating project requests we have, of any capital project requests we have and then those go through the budget process, and those are considered along with all the other priorities and then those are forwarded to the council for your consideration as part of the proposed budget.

The thing that makes this unique is two things. Maybe even three things. First one that is unique about this is that unlike all the other requests we get, we have an agreement with the cultural council that gives them sort of stated ability in those three areas I mentioned to call to our attention when there are capital improvements are needed or when there's equipment that's obsolete or needs to be replaced or when there's extraordinary expenses that need to be addressed or when there are new programs that were not anticipated that need to be funded. That's one thing that's unique about it.

The second thing that's unique about it is as the city manager was talking to you about this in April. When all the requests went through and he was working with Mr. Perl on these requests, there was not enough funding at the time to fund these. What he wanted to do was bring these to your attention that you could decide if you want to include them in the budget or use the anticipated surplus?

The third thing that's unique about this is that this isn't just one time, but there have been a number of years where the cultural council had laid in front of staff some requests for these types of expenses and as I notes on that one slide, there were two times when those requests were approved and funded within the budget. So when you get to that circumstance, I think all of those things start to line up and so that's why they are in front of you making this appeal directly to you.

[Time: 01:14:28]

Mayor Lane: I understand. So if I understand what you -- how you have explained, is that there is a process and it is part of the budget process in the normal course of things as they are identified by the cultural -- the capital. I'm talking about capital issues right now. They get put into same grouping of any C.I.P. issue that we might have and this council at a point in time when we have a limited budget, which is generally always the case, we make some discretionary choices as to what can happen, what has to happen and what can't happen. And so, we are making that as a matter of some routine. So the uniqueness here is really sort of the staging we have gone through as I think I heard you explain.

You know, we look at the unfunded, which is not necessarily a normal area for us to be considering capital items under contract anyway, but nevertheless, that's how lined up we had some unallocated reserve balances that were available and we wanted to track that and see if there was some way to plug this in. What I would suggest on this, number one, since we do seem to be able to follow very closely what we have a contractual obligation to supply -- you know, before I finish that sentence, obviously during the downturn in the economy, a lot of things went south, so to speak financially, and that would have been donors. That would have been performances. That would have been the

city's ability to fund the 3% or otherwise, even the normal amount of money that goes that direction. And we did make some adjustments. But that's just part of the overall program for the city.

We have to measure and deal with that as best we possibly can. But keeping in mind what our responsibilities are, putting it into the budget as best we possibly can. I know with due consideration with this council as to what our resources are, and what our requirements are, what we would like to have, and what we can have, and what we must have. So those are -- and those things, obviously that we can't afford at a point in time. I think the reason that I would like to see us go on a path with this amounts, with due consideration, but to bring it through the full scope of things.

Something that was mentioned a little earlier, that's on our consideration to agendize, is the circumstances that we have with regard to expenditures, needed expenditures in the capital area as well as they cans that are being forecast or suggested to this council at the same time moving forward a number of things, as well as our standard capital improvement items that are within our budget right now. So -- and what our resources might be and how they will change to the positive or to the negative. That's what we call our budget process. So I think really only legitimate way is to make sure that we are looking at these items as a responsibility of the city to accomplish, to attend to and to plan for and at the same time we have to consider through the budget process all of our other requirements.

We do at this point have some additional commentary. And so I will start with Vice Mayor Smith.

[Time: 01:17:59]

Vice Mayor Smith: Thank you Brent and Neale and others. I don't know if you want to stand there for all of this.

Scottsdale Cultural Council President Neale Perl: I'm happy to stand.

Vice Mayor Smith: All right. Suit yourself. I want to make some comments but first of all, I want to observe that we are really talking about two entirely different funding requests in my mind. They were both agendized if you will as supplemental funding requests but clearly group one is a set of recommends of what the city should do with its own property, and making the improvements to make the arts and culture experience real and meaningful. Group two, the smaller number are, in fact, supplemental funding requests, and I don't know whether it's possible, Brent to deal with these as separate items. I would certainly like to address them as separate items, maybe even eventually we'll vote on them as separate items but I think they are distinguishable and quite different in their character. Hearing nothing, I'm going to assume yes.

I will make my discussion as factual as possible, and what I mean by that is leave aside personal biases. I have a bias for arts and culture. I think it's an important part of our city and I'm proud to say I share that view with the majority of Scottsdale citizens who have discussed that time and time and time again, every time we have given them a general plan to vote on, they reiterate what they see as the importance of arts and culture in the community. But I'm going to try to set that bias aside, as well as

any political rhetoric and I'm going to try to keep it factual.

I think there are at least three facts that we are dealing with here. The first fact that we know for sure, is that we need to be investing in our city assets. When we submitted a whole list of projects to the voters for November 3<sup>rd</sup> election, we reaffirmed that message. We know that our city assets are deteriorating at the rate of \$100 million a year. We know that the value of the city's net depreciable assets actually declined last year and the year before, the only two years that has happened in the city's history. And we know that this is not a fiscally sustainable path that we can stay on. That's fact one. We need to be investing in city assets.

Fact two, is we know for sure that the investments that we are discussing here tonight, the ones that is presented to us by the cultural council are necessary. They are critical, they are a city responsibility. We know that they are the responsibility because that's clearly stated in the management services agreement and Brent has talked about that. That obviously was the intent when we put together that agreement back in 2008, and we know that these investments are critical to executing the arts experience in the city's center for the performing arts and SMOCA. The cultural council is the manager of these city's assets and has distilled the number down to \$1,293,671 and came down from a much, much larger list of requirements, just as it did when we went to the voters and asked them to approve what we saw as critical needs. We know that these investments include issues of safety. We heard the C.E.O. of the cultural council talk about a scissor lift that goes up but not down. We know that they affect things with things like video projectors and the usability of public spaces. They are critical. And they are the city's responsibility.

The third thing that we know and we managed to kick the can down the road a few months ago because we said we were not sure about this, but the third thing we know is we do have the money. We do have excess funds in the unreserved fund balance. We know we have 2 million more than the last time we discussed this. So we theoretically delayed discussion to see if the number was going to hold. It not only held. It's up by two. We know we have the money. \$23.8 million on the slide that you saw of unreserved fund balance, we know we've got to set aside some of this for that unusual payroll that will occur in 2017, and we will also know that we are to hold a little bit back to balance the books in the coming years. But in the council report we are given, the staff said we can't figure out anything we need to do with the last five of this, except spend it on capital. And that's according to financial policy number 17 that Brent laid out for us.

So why would we sit up here and consider delaying or even compromising the approval of this recommendation tonight? I'm almost hearing that maybe we should save our pennies. I'm not sure that's a very wise move. Think about the message that the voters sent, and if you can figure out what they were saying being you will be smarter than those of us up here. They told us one of two things we are not sure what they told us. They may have been telling us that they didn't think the projects embedded in the four questions they didn't improve. They may have said those projects weren't worth doing. Or maybe they said the project should be funded in other ways.

If the voters did, in fact, reject these projects on their merits saying that we just shouldn't do those projects, then to argue that we should set aside money to do those projects clearly disrespects their

voice. And I guess I don't need to remind a lot of people in this room what happens when you do or disrespect their voice. We did that in 2000. We asked the voters should we buy a piece of land north of WestWorld, and they said no way. Five years later we saddled the general fund with \$40 million of debt, which we are now amortizing at a rate of \$3 million a year.

I for one am not sure I'm prepared to override the vote of the citizens, but it's true that later this evening, as Mr. Washington pointed out, later this evening, we are going to vote on the future work study session that I have recommended, along with councilmember Milhaven, asking staff to present a full review of the capital spending program and these critical projects that have been prepped tonight should not be held hostage for waiting to see what that process determines or if that doesn't determine anything, then maybe wait until the next budget cycle. We have heard about these projects. We understand their criticality. It is time to make a decision and to support the arts and the cultural endeavor that we are asking these folks to execute for us.

So -- and by the way, the word "subsidy" was used earlier this evening by one of the speakers. This is not a subsidy. It's not a subsidy any more than if we pay somebody to pave a new road or pay an employee to come to the office. This is a management services agreement. We have a collection of assets. We contract with these people to manage those assets, to deliver an arts and culture experience to the citizens that they want and to the tourists.

I'm going to be supporting certainly the approval of the \$1.3 million capital request. And I'm going to do it because I think we need to keep our word and honor our contractual equipment. Staff has identified and cultural council has identified these projects as critical needs and we have identified the funds to pay for them. It's time to call the question. Thank you, mayor.

[Time: 01:27:14]

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

Councilwoman Milhaven: Mr. Washington enjoyed accusing me as being the chair of the cultural council and I'm proud of my service, so thank you, Mr. Washington for continuing to point out a point of pride. You know, the arts are a part of our heart and soul and I think we are not living up to our contractual agreement, having the cultural council come and make special requests to maintain our buildings.

Mr. Stockwell, I have' question. Mr. Perl, have a seat. We go on and on. You might as well be comfortable.

Mayor Lane: If we need you, we will call you.

Councilwoman Milhaven: You talked about the business closure and the special equipment business. Have we spent my money maintaining our buildings, doing anything else over this time?

Assistant City Manager Brent Stockwell: Mayor Lane, Vice Mayor, Councilwoman Milhaven, yes, we

spend money regularly maintaining the building, just not any -- we're not talking about any of these capital improvements. So maintaining the HVAC and the air conditioning and all of that stuff, we are continuing to do as we go through that part of the facilities management, the regular budget. What that is intended to focus on is any additional capital projects or operating projects beyond that. And those are the ones that have been limited.

Councilwoman Milhaven: Okay. So the -- one of the things -- I have another question. One of the things you had was our contractual obligation around equipment damaged beyond repair and obsolete and we are here as if that was discretionary when actually that's a contractual obligation. I'm thinking, about you know when staff came to us with the parking garages that were falling down and saying we have no choice but to prop up these parking garages if they have obsolete equipment that's beyond repair, it seems to me this is not discretionary but rather our responsibility under the contract. How much of this request is part of that contractual obligation? Do we have any idea?

Assistant City Manager Brent Stockwell: Generally, if -- I will switch over and go to -- okay. Generally, and this is why those management services agreement categories are helpful up there, in general, the 7 point, and 1.2, those are the specialty equipment replacements. So that's b and d. So those are things that are really special equipment that is needed for the performing arts or the visual arts and those are things that you wouldn't commonly find in a general building, right? And then a and c, those are capital improvement requests. So those are improvements to the building, in particular, and so those might be things that you know, any building like city hall or any of the other buildings we maintain need. In general, that's true. I would divide a and c up as those capital improvement requests and b and d as those performance equipment.

Councilwoman Milhaven: A and C?

Assistant City Manager Brent Stockwell: And in hindsight, I wish I would have put them A and B and C and D because it always works better that way, but that is not the way it is in this case so a and c are the management services agreement, 7.3, that addressed capital improvements that the cultural council may address and b and d are the 7.1.2, and those are talking about specialty equipment that is the responsibility of the city through the annual financial participation agreement to repair, unless it's obsolete or absolutely needs to be replaced and then that's something that comes into the special requests.

Councilwoman Milhaven: So you are saying it's \$449,700 to replace equipment that is damaged beyond repair an obsolete?

Assistant City Manager Brent Stockwell: Yes.

Councilwoman Milhaven: Okay. I think it's important that we take care of that tonight. It's part of our contractual agreement. Like I said, in my mind, it's no different than a falling down parking garage that needs to be fixed right away. I will -- I do agree with the mayor, though, that I think that some of these needs to be considered as part of the budget process, and that we need to, as a council set some policy around maintaining the -- our own facilities that are being managed by others. This

should not be a special request every year. We should have a policy that says we maintain our buildings at this level, and that it becomes part of our budget process, and that we don't have these folks making a special request every year. It should be done by policy. We need to depoliticize this because it's our own building. We have a responsibility to sustain. The other is -- so I would be willing to support that b and d tonight.

I also -- in the package, there's \$100,000 request to support canal convergence and Vice Mayor Smith says he has a personal bias. I have a personal bias against temporary installations. I believe we should use our limited funds for permanent installations rather than temporary installations. I think folks who find value in these things are usually good at putting their money where their mouth is. I would challenge matching funds so if the Scottsdale Cultural Council can raise \$100,000 for the canal convergence, I would be happy to match that.

I will let my other colleagues speak. That's sort of where I stand right now.

[Time: 01:34:18]

Mayor Lane: Are you through, I'm sorry.

Councilwoman Milhaven: Yes.

Mayor Lane: That's quite all right. I missed it. But in any case, thank you. Councilman Phillips?

Councilman Phillips: I won't pontificate for 15 minutes like some of our council. Unfortunately the timing couldn't be worse. This is the third time the taxpayers have voted down our bond property tax, and to me, anyway, this tells me the voters want to see fiscal responsibility by the city before they put more money on the property tab. We say the bond items are critical and they were the unreserved fund balance is just a rainy day fund and we are not allowed to dip into that. And how does it look to taxpayers? Only a week after this bond vote, we give \$1.6 million of the unreserved fund balance to a nonemergency use in the taxpayers' eyes.

You know, we have two councilmembers who are past members of the cultural council, and if I was a past member, I would be proud of that too. One has a wife who is on the board of it now. And we have a city treasurer who was a past treasurer of the city council. This creates distrust amongst the voters. It looks like they are helping our friends.

I know arts is extremely important to Scottsdale but I believe we need to have a reassessment of critical projects which we will talk about later tonight, before handing \$1.5 million to an item or just a funding request. That being said, after just listening to Councilwoman Milhaven's points, I think they are very valid and so I'm willing to agree with the group one b and d, and matching conversions. Thank you.

[Time: 01:36:23]

Mayor Lane: Thank you, Councilman. Councilwoman Klapp?

Councilwoman Klapp: The cultural council is the unenviable position of coming one month after the voters have told us they didn't want to fund two-thirds of the questions that were on the ballot, and, you know, I'm not going to try to second guess why they picked some over others but essentially, as a council, we felt at least the majority of us felt that the items that were on the list were critical for the city of Scottsdale. So I'm very hesitant to want to spend any money at this point, until we have assessed the capital needs that are going to be coming up in the agenda item that's a little later in the evening about, you know, what are we going to do now to fund all the items that are necessary for the city? And so I might be willing to agree to some funding tonight. But I certainly don't want to fund all the items on the screen because I really believe we need to have -- I would prefer for this -- for the staff to be giving us -- rather than us as a council trying to determine which on this list is critical, I would like to hear from the staff to tell us what items really are critical that we should be considering in relationship to all the other critical items that are needed for the city. That's my concern. I mean, I'm very, very supportive.

Cultural council, the performing arts center, the canal convergence, the SMOCA, public art, they are all important to the city, but so are the parks and so are the streets and so are the other public services that we provide, you know, the bathrooms that we can't put in for handicapped people are very important at the city of Scottsdale too. There's a lot of critical needs in the city right now that make me very concerned about how much money we should really be taking from this unreserved fund balance. Each year we have said that we would like to take as much money as possible and put it into capital. And so -- but when we do that, those capital items are then determined by people that know more about this than we do, because we are not real good at picking and choosing as councilmembers where money should go. If we have a majority of council wants to provide some funds condition.

My preference would be probably at this point to defer to the next year's budget conversation about capital needs and all of the items that need to be funded and where all of these capital needs fall into that list of all the other critical capital needs that we have in the city. So that's where I am right now but I will continue the conversation, to see if there's something here that we should be funding right now.

[Time: 01:39:29]

Mayor Lane: Thank you, Councilwoman. Councilwoman Littlefield?

Councilwoman Littlefield: Thank you, Mayor. First, I would like to say that I like the direction that Mr. Perl is taking the cultural council. I think he's moving in the right direction and I think he's doing a superb job. Thank you.

And I also do not doubt that the projects that Mr. Perl is requesting funding for are real and needed. Anyone who has ever been in the atrium of the cultural council when a speaker is speaking or when music is playing, knows for a fact how difficult it is to understand or to hear correctly any of that kind

of thing going on. That being said, however, when it comes to looking for the money to pay for these improvements it gets more complicated and difficult, that's the conundrum that I think we are all looking at up here. We have a limited resource of uncommitted funds and some of those unreserved funds are not really unreserved because we have to reserve \$7 million for the extra payroll that we will have in 2016. This money in the unreserved fund is basically the city's savings account. It is -- some of it has to be set aside for savings for any unanticipated emergency in the current year that we may have, unforeseen breakdowns, natural disasters, and it also needs to be our emergency fund kept available in case of national emergencies or another major economic turn down which could happen at any time. So we basically and literally have to keep some reserve funds in savings in order to make sure we can keep the lights on, the trash picked up, and the water running. That leaves, according to our staff, about \$5 million that we have that we can spend right now from those reserve funds. And there's a lot more requesting monies than that for that money.

So let's look at this. When we on the council sent forth the bond issue last year, we sent a message to the Scottsdale residents that those six questions contained the most important budget priorities that we thought the city had. We believed they were so important we asked Scottsdale residents to increase their taxes to pay for them. Unfortunately, the voters only authorized funding for \$29 million of the \$96 million we requested. Therefore, we have about \$67 million of money that we told the voters were critical priorities to the city. The reserve fund balance has about \$5 million to meet those needs.

If we are going to dip into that fund, I believe we have a moral and ethical obligation to use the available dollars that we have to fund what we told the voters were the most critical budget priorities in the city. And unfortunately, the cultural council was not on that list. If we now vote for \$1.5 million on these cultural council requests, we would be saying to the voters, hey, everything we told you about how vital those bond projects were, we didn't really mean it. We're going to spend what little money we have and what we have available on other more fun stuff, like the cultural council. Don't forget that the police station and the jail has needs too. The parks, with the water wasting, leaking, underground infrastructure, and the bathrooms that are not A.D.A. compliant. Forget our need for upgrading the I.T. computer security systems or our presented list of transportation projects that we deemed to be vital to the well-being of the city. I wouldn't blame the voters for feeling betrayed by such an irresponsible action on the part of this council.

That does not say that the cultural council's needs are not important. It does say I believe that they need to be considered as part of a whole when we consider all of the capital improvement projects that this city does need and as Councilman Smith says, have been underfunded for a long period of time. I believe the responsible action on this item is option two, defer consideration of all or some of these items to the 2016/17 operating budget and capital improvement plan process to weigh the S.C.C. needs against all city-wide one-time needs and be a part of that. And so I move that we adopt option number two.

Councilwoman Klapp: Second.

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

Councilwoman Klapp: No, I think that's pretty much what I said earlier.

[Time: 01:45:05]

Mayor Lane: Okay. Thank you, Councilwoman.

I just want to weigh in a little bit on something and maybe to reiterate a couple of things when we think about these things and the reason I'm stressing so much that we follow through with a policy of following our budget, is because it's the only real time that we will be able to weigh the kinds of things that we are considering going forward, the kinds of things that we are now having to deal with, that all have been indicated in one form or another as critical needs and particularly those issues that were rejected on the bond issue.

I think taking this entire thing with view of the whole picture, I mean, the council needs to be able to weigh in on the capital projects value, all of them. You know, we just in recent times, it's something that will come before us in the not too distant future is the call for somewhere between \$800,000 and \$1.4 million just to study the D.D.C. again and design it. So those are things that, you know, there's money right there that we're faced with and trying to authorize for what has been dubbed as \$74 million project, that is likely to have to be put on a bond that is in wonderment right now since the last meeting when we discussed it, we didn't know what it was or where it would go. Even the investment in design and study versus what we are talking about with the cultural council.

I certainly would have to say that what we are having to deal with in our contractual obligations on our product, on our projects, rather and our property, I think, are critical. Those are things that we need to have in -- to be weighed as heavily as just about anything else we do, as far as the capital projects are concerned. Our buildings, our image, and frankly, the utility and the safety of them are critical components for us. I don't believe that there are items of safety but there are certainly items of utility and use. So \$67 million, and what has been dubbed the critical capital projects too, it's something that we will have to weigh against it.

How critical was it? We made that statement. We looked at those things very, very hard. It's been said if it's been said once, it's been said a dozen times at the very least. My mother always told me -- she told me a billion times not to exaggerate. But in any case, so a dozen times I figure fits into it. But in any case, that these were critical components and they were absolutely necessary and we have a declining value of our assets in the city and they are old and deteriorating. Frankly, last year we used some of this money, I'm talking about the unallocated funds to fix garages.

The only we can look at it in its entirety, is to look through the budget process. But I just think that we should not be cutting off our nose despite our face on this and we need to look at the entire needs -- the needs. And I will stress it as needs. Not as wants and not as cans, or what we -- can certainly can be what we can do and what we can't do.

So that's my greatest concern, is that we don't lose sight of the fact that we have a number of things to

be concerned about. And at the very same time, we don't want to sell off excess city land and to put land back on the tax rolls. We want to, in some cases give away land that we own to somebody who is adjacent to it, so that they build a swimming pool or something for us. We really have got to get more serious about how we match up our revenue sources, our asset values and frankly the rebuilding of our assets. We have got two projects that we were wild about in downtown open spaces, that's worth millions of dollars that we are -- you know, we are going to be going ahead with. It just seems that we have got to rein in our expectations a little bit.

The other thing is, hey, if it all matters then we have to get realistic. If we have got to do all of these things and we can't -- the public does not vote for them, and they are absolutely critical to the operation of the city, and the safety of the city, then there's going to have to be some other source of funds, whether it's selling off excess property or a tax increase or otherwise and then we will have to explain ourselves all the way around.

We have to look at these things very seriously. And that's not to minimize what is in front of us right now, but that's my feeling. I think it's something that really should be tackled and handled in the budget process. This is certainly a serious consideration of taking care of the buildings and the properties that we have. Contractually we have got that obligation. And in down times we did some things. We did some things here. Pretty serious changes in contractions and layoffs. So some of our contracts had to go without for a few years and some cutbacks as a lot of us did and the municipalities did. As we continue to grow and enable our tax amounts on the basis of taxable activities, we should be able to grow reasonably well within that scope.

Anyway, just to reiterate and to summarize, I think it's important that we -- we look at this thing in its entirety and that we do weigh the value of each and every one of them or the absolute necessity of them, or if we come up with more things we have to spend money on, what is it that we sacrifice, what do we sell and what are our revenue sources? What do we have to do to enhance them. That's my final comment on it.

But Vice Mayor Smith.

[Time: 01:51:27]

Councilmember Korte: Mayor.

Mayor Lane: Councilwoman Korte, yes.

Councilmember Korte: It's a little difficult to interject in the conversation.

Mayor Lane: Yes. It is a call out that you have to do since you are not physically here. I often look to the sky when that voice comes out.

Councilmember Korte: Well, let's not go that far. So I would like to -- I have got a couple of questions for Mr. Stockwell. And looking at our contract with the Scottsdale Cultural Council, and

that capital improvement shall be at the city's full expense, and that obsolete specialty equipment and fixtures shall be at the city's expense, Mr. Stockwell, what project for the cultural council are in the city's C.I.P. project? And how long have they been there? Have they just been transferred from one year to another?

Assistant City Manager Brent Stockwell: Mayor Lane, Vice Mayor Smith, Councilmember Korte, what I heard the question as is: Are any of these currently in the city's capital improvement plan and what happens, have they been deferred from year to year. My understanding is there's -- none of these existing requests are in the capital improvement plan, but Derek Earle is coming up to answer that question.

City Engineer Derek Earle: He just answered it. Mayor and members of council, that's correct. Each year we can receive requests from the cultural council and they are considered as priorities with the rest of the city. So unless they are actually approved for funding, they would not be in the C.I.P.

Assistant City Manager Brent Stockwell: Now to anticipate in the second part of the question, because we have those capital projects and operating projects as noted in the council report, there are operating projects that are in the operating plan but they are not funded and the way that goes is each year, as those come up, we look at all the priorities. If we can fund them that year, we fund them. If not, they get deferred. So that's what happened in a number of these operating projects is they request, a number of times and they get evaluated and deferred. So I'm mentioned that in the report and I anticipate that might be the second half of your question. I don't know if it was or not.

Councilmember Korte: Thank you, Mr. Stockwell. Sometimes I feel that there are stepchild in the budget process and sometimes the Scottsdale Cultural Council is a stepchild. I completely agree with Councilwoman Littlefield that we need to consider these requests as part of a whole. However, I think we need to move forward with the b and d items regarding the obsolete beyond repair equipment tonight, and perhaps even the \$100,000 matching funds for the canal convergence and the other items be deferred into our capital improvement priority process and perhaps in doing that, we can direct or we can -- we can express cultural council and their needs similar to other needs of our community, because Scottsdale, we have celebrated -- we are celebrated as a cultural city, arts and culture. And in that, we have a responsibility to invest in our arts and culture. So with that, I am going to support -- I was a little confused on councilwoman Littlefield's motion because I'm not seeing the a, b, c options on decisions.

Mayor Lane: Thank you, Councilwoman.

Councilmember Korte: So if there is an amendment to that motion to fund tonight the options -- the items b and d, plus the canal convergence match up to \$100,000, if there's a friendly amendment to that, I would request a friendly amendment.

Mayor Lane: And just to reiterate -- well, not to reiterate, to instruct, I suppose on that, that would be a separate motion all together. Motion on the table right now is to defer consideration of all or some of these items to the fiscal year 2016/17 operating budget and capital improvement plan,

approval process to weigh the Scottsdale Cultural Council needs against all city-wide one-time needs.

Councilmember Korte: Then I would like to offer an alternative motion.

Mayor Lane: Okay.

Councilmember Korte: To fund items b and d plus the \$100,000 canal convergence up to 100,000 matching funds for canal convergence. And defer other capital needs to the process, the budgeting process for the annual C.I.P.

Councilwoman Milhaven: I would second that and ask for a friendly amendment.

Councilmember Korte: Yes.

Mayor Lane: Councilwoman, did you hear that?

Councilmember Korte: I didn't hear the friendly amendment.

Mayor Lane: You did hear that. Okay.

Councilwoman Milhaven: The total for that -- those two items is \$449,700. I would like to amend that to 450 and give the cultural council the opportunity to reprioritize. I know I have heard from folks at the cultural council, for example, the dance floor is critical and you may decide that the dance floor is more critical than some of the other equipment needs. So what I would like to modify the motion to say -- to allocate \$450,000 to capital for equipment for facility upgrades as determined by the board of the cultural council.

Councilmember Korte: I accept that friendly amendment.

Councilwoman Milhaven: Thank you.

Mayor Lane: A motion has been made and seconded. Any further comment by the second?

[Time: 01:59:01]

Councilwoman Milhaven: Yes, I do. Thank you. Sorry. I worked really hard on the bond campaign and I know a lot about the city finances. I thought I knew a lot before but I know even more now digging in and understanding and you want to be perfectly three with the citizens of our city. We have ongoing maintenance and operations funds and budgets and if I remember the numbers, something like \$17 million in the current year for maintenance and operations. So it isn't that we don't have the money. We have a robust maintenance and operations program. We have a capital program, and we have plans to invest in our capital. We did not -- we do not have enough money to do everything. So to suggest that we are not going to invest in capital, we are not going to maintain or operate -- maintain or pay for operations of our capital is a fallacy, we have ate capital -- a

capital program. We have operations and maintenance and now it's up to us to decide how we allocate that. The projects in the bond were additional needs that we don't have funding for.

So we said, okay, we have a robust program. Not enough to meet all of our needs. Would you like us to do these programs, projects? If you do, we will have to bond to do them and the citizens came back and said we wanted you to do some, and we don't want you to do others. Okay. So we heard you.

But we are still going to maintain our existing facilities. We have a contractual responsibility to maintain our buildings that are managed by others and so any suggestion that advertise discretionary, I think is entirely inappropriate. This is our contractual obligation. And, you know, I used the example of the falling down parking garage but I'm trying to remember in almost every budget that I have been a part of, there's some improvement to Giants stadium. Why are we doing a capital improvement to Giants stadium if we are not improving or doing what we need to do to museum, and I would throw in the desert of the museum, we need to have city owned properties that are managed by others and not have them be stepchildren and come with special requests and so -- I'm with the mayor we need to look at this in context with all of our other needs but we need to remember that that is important.

The last point I would say, to the D.D.C. Every time we talk about the budget and financial constraints, the poor D.D.C. gets thrown into this mix. We have bed tax money that can help us pay for the D.D.C. It's not going to be a general plan obligation, and it's not a tradeoff here. And so whether we like the D.D.C. or don't like, it I think we should like it or not like it on its own merit because it's not about a budgetary tradeoff here or there. If they think it's something they want to move forward with, they will support it with bed tax funds and that's a separate conversation. So I had my due. Thank you.

Mayor Lane: Since you mentioned that, it's not an agenda item, utilizing the fact remains given the amount of money, there's no way that the bed tax money will pay forever that and we do know that it goes well beyond that and the money we are talking about, the 1.4, wherever that may fall is something that comes out of the general fund and it would right now. But in any case, I think that those are all considerations of things that we have to work through in the budget and that's I didn't think it's important to look at this full picture. But we have a motion. We have an alternative motion on the table right now. And it's been seconded.

Vice Mayor would you like to speak toward it?

[Time: 02:02:43]

Vice Mayor Smith: I would, Mayor. We are talking about two items one is the capital request, and the supplemental request, the \$313,000. I think the only thing I heard on that is people will go along with the matching funds for canal convergence. I will pontificate. So if you want to step away for a moment. Suit yourself.

Like the capital discussion, I want to make this supplemental funding discussion as factual as possible and, again, leaving aside the personal biases and the political rhetoric and whatever. First, some history, if you look at the funding history slide that staff put up and I don't know if you can get back to that slide, Brent. But if you can, keep in mind that the management services agreement contemplated back in 2008, when we put it to go, it contemplated a 3% increase per year. It didn't promise it, but it anticipated it. Now, whether that was going to cover somebody's estimate of inflation or whether that was going to be a continuing increase in the city's commitment to arts and culture, I don't know.

What we do know, though, is that in response to the recession, and the challenges that that put on us, the city took the extraordinary step of actually reducing the allowance in 2010, reduced it by 1% and 2012, reduced it by 5%. Nothing in the management services agreement ever contemplated this possibility and now that we are coming out of the recession, the city council has seen fit to retroactively assess some of the cuts imposed on some of the city departments but not the cultural council. So as the slide shows we are at a point after seven years or in the seventh year, 2016, the funding will be \$800,000 less than it was if the 3% had been continued during this period. And for seven years, the aggregate amount is \$3.7 million.

Earlier this evening, we looked at a cumulative life-to-date unreserved fund balance of \$23.8 million. Well, I can tell you where 3.7 of that 23.8 million came from. It came from the reduced funding of the management services agreement to the cultural council.

And now they are here tonight asking that they have whatever the number is, \$300,000 for some special items included Canal Convergence and some equipment repairs and whatever, that they don't have the money for. It's not payroll. I mean, it's not surprising that they need \$313,000. The only extraordinary thing I found about the request is that it's not for more, frankly.

I grant you the cultural council staff has exhibited some hard work and dedication that we ask for all of our city staff and their efforts led to significant cost savings. But the reality is this city council owes considerable thanks to the generosity, frankly, the individual citizens and businesses who stepped up to the plate and provided the funding that led to the point where one of the speakers earlier tonight said that the funding internally generated versus the city has now gone -- the eternal funding is 62%. That's -- that's how we have managed to get through this, not from some generosity of the city council and now they are back here saying they would like \$300,000 and we are saying, well, maybe 100 and it will be matching and whatever. We are not sure we like external art.

Folks, I'm telling you, we are not playing on a level playing field here. They have taken the cuts that we have given them and they have taken to operate with those cuts. They ask for \$300,000 for special needs, which is their right under the contract to ask for supplemental funding, \$313,000 and for some reason, we just say, well, we will give you 100. Enjoy it. And on the capital part, I'm mystified with how we can actually segregate the capital things into categories that are necessary versus not necessary or whatever the categorization is.

Councilman Littlefield called them fun stuff. This is not fun stuff, folks. We are paying \$4.3 million

to an organization in partnership with the city to manage our arts and culture program. And we are giving them a set of facilities where you can't hear yourself when you are in the atrium. You can't offer the facilities to a group that might want to serve food because we don't have a kitchen. Now, why don't we have a kitchen? Well, because when we remodeled the entire center a few years ago, they ripped the kitchen out and then they ran out of -- they being us, the city -- ran out of money to rebuild the kitchen. And when we ran out, we said, well, fine. You don't need a kitchen anyway. So we've got a microwave.

I am passionate about this but I'm passionate because I think the people, the citizens of Scottsdale are passionate about this. It is part of what they consider to be the foundation of the city, the idea that we are going to hold all of this off until next budget cycle, we have played this kick the can down the road game for seven years. This is not a sustainable program of investing in the city. If we wait until the budget cycle, well, fine, let's wait. Let's cancel all the projects that we are spending money on.

We gave the voters a list of projects that they might approve a tax increase for, and we said if you are willing to approve a tax increase as Councilwoman Milhaven said, these are the projects we suggest you improve and these are ones we think will be the highest on the list that you approve a tax increase. They didn't do that. So now are we scrambling to say we must cancel every other initiative that we have, collect our pennies and pay for all of these projects that they didn't even approve. I'm not sure they wanted us to do that. I'm perplexed with the direction this is going.

I will make a counter motion, probably won't get a second. Probably won't get support.

Mayor Lane: Well, before you do that, we are working on an alternative motion right now do. We have room for a counter motion to the alternative motion?

City Attorney Bruce Washburn: The most that can be pending are three, and we have two right now.

Vice Mayor Smith: I have played this game before. My alternative motion is we grant the entire \$1.6 million that's requested, the critical capital needs that have been identified and reduced from a several million dollars and the \$300,000 of supplemental funding that is about 10% of what we have taken from them in the past seven years. You don't have to have all of those words in there but --

Mayor Lane: Now, wait a minute, the essence is for the \$1.6 million.

Vice Mayor Smith: \$1.6 million.

Mayor Lane: Thank you. The motion has been made. Fails for a lack of a second. Councilman Phillips.

[Time: 02:10:46]

Councilman Phillips: Thank you, Mayor. I just wanted to say that I think what you are hearing

tonight is a good thing. I understand, you know this was just a bad timing, I think, on the part -- I know you asked for it before and it came back after most of the bonds failed. But I think this is a good thing for Scottsdale because this is exactly what the voters are looking for. They are looking for fiscal responsibility from the city. And we are going to go back and we are going to see what really needed to be done and we will take care of those items and when the city sees that, then we can probably go back at a later date and maybe ask for another bond for something and they will understand that we did the best that we can. I think this is a good thing that's going on tonight. And, you know, moments like this, I kind of miss Ron McCullagh but I don't want to bring up his name again. He didn't appreciate it last time.

I guess right now, I will just call the question.

[Time: 02:11:41]

Mayor Lane: Thank you, Councilman. Catch me up on will alternative motion. Yes, the alternative motion is Virginia's motion.

Councilwoman Milhaven: Shall I take a crack at it? I approve that -- or I repeat the motion -- I will repeat my second was to approve \$450,000 to be moved into the capital program for facility upgrades or equipment upgrades as for the Scottsdale Cultural Council further prioritizing the list and we approve a \$100,000 in a matching program for the canal convergence and that we return to discuss capital needs for city-owned buildings, managed by others as part of our budget process. Did I get that right?

Mayor Lane: Virginia?

Councilmember Korte: Yes.

Mayor Lane: All right. That alternative motion is on the table. All of those -- no further comment. All those in favor indicate by aye. Those opposed with a nay.

Councilmember Korte: Aye.

Mayor Lane: Motion fails, 4-3 with Councilwoman Milhaven, Councilmember Korte and Councilman Phillips in the affirmative.

[Time: 02:13:06]

Mayor Lane: So that brings us back to our original motion. And I believe that was -- it was yours. Councilwoman Littlefield's original motion, which was -- and if I have got this, anything other than what you had intended and that was option 2, and that's to defer consideration of all or some of these items to the fiscal year 2016/17 operating budget, and capital improvement plan approved process to weigh the S.C.C. needs against all city-wide one-time needs?

Councilwoman Littlefield: If I can, for just a minute, that is correct, and really, that's what the option is that was given to us. It's not really to weigh the S.C.C. needs against all other city but along with all other city needs, and that's what I really would like to see happen.

Mayor Lane: Okay. If you want to change that word to --

Councilwoman Littlefield: Thank you.

Mayor Lane: All right, yes, Councilwoman Milhaven.

Councilwoman Milhaven: I was frankly a little surprised that Vice Mayor Smith chose to vote no which would suggest if this were approved tonight that there would be no funding made available to the cultural council tonight. And I just want to clarify if that was the Vice Mayor's intention to not give then anything tonight. Is your intention to not give them any?

Vice Mayor Smith: Mr. Mayor, can we engage in this discussion?

Mayor Lane: This is a little bit outside of the ordinary --

Councilwoman Milhaven: If this motion were to fail, will the Vice Mayor make another motion?

Mayor Lane: Let's see.

Councilwoman Milhaven: Then just since I have an open microphone --

Mayor Lane: Well, we all do.

Councilwoman Milhaven: I will vote no because I would like to do something tonight but I certainly support discussing it as a part of the budget process.

Mayor Lane: Okay. The original motion is on the table. The question has been called. All those in favor of the motion as indicated, please indicate by aye, those opposed with a nay. Aye.

Councilmember Korte: Nay.

Mayor Lane: Okay the motion fails as well. So that motion fails as indicated on the board, so right now we have no motion and no action to be taken. Which is a default so what we have got. Without further conversation, that's where we lie.

Vice Mayor.

[Time: 02:15:47]

Vice Mayor Smith: I'm sorry, I pushed the wrong button. I do want to talk, if I may. Is that a yes?

Mayor Lane: Yes, I'm sorry. I think I said that immediately.

Vice Mayor Smith: I would like to offer a motion and it's -- it is a compromise or hopefully a compromise of what people have talked about. I will borrow the notion of the previous motion group to provide \$450,000 of capital funding in a manner to be determined by the cultural council board in response to our contractual obligations, but I will also -- I would also request that we grant \$313,017 as a supplemental funding request made by the cultural council, representing a partial return of the shortfall funding and that they have incurred for the past seven years. And I think the needs are identified, the needs are important to -- well, I will stop there.

That's the motion, is to provide \$450,000 for the capital portion and \$313,107 as the supplemental funding request. That's the motion and I can discuss it if you want.

Mayor Lane: The motion has been made.

Councilmember Korte: I will second that.

Mayor Lane: Would you like to speak toward it, Councilwoman?

Councilmember Korte: No, Mayor. Thank you.

Mayor Lane: Councilwoman Milhaven.

Councilwoman Milhaven: Is this a one-time or are you talking about increasing the contract over time?

Vice Mayor Smith: It is one time.

Councilwoman Milhaven: Thank you.

Mayor Lane: All right. There's no further discussion. The motion is clear, it's a \$450,000 capital requirement at the discretion of the cultural council and that there's -- I'm sorry was that 317,000?

Vice Mayor Smith: \$313,017.

Mayor Lane: Okay. That number. And then for -- for the discretionary or --

Vice Mayor Smith: That's technically called their supplemental funding request.

Mayor Lane: The motion has been made.

Vice Mayor Smith: Both monies are one-time money.

Mayor Lane: The motion has been made and seconded and all of those in favor please indicate by aye. Those opposed with a nay. Nay.

Councilmember Korte: Aye.

Mayor Lane: The motion fails 4-3 with Councilwoman Milhaven, Councilmember Korte and the Vice Mayor in the affirmative. So that we are done on the issue.

Councilwoman Milhaven: Excuse me, point of order? Since councilman was on the winning/losing side of 450. I believe the rules would allow him to remake the motion for the 450 and 100. Is that correct sir?

City Attorney Bruce Washburn: Yes, since he was on the losing side he can bring it back at the same meeting which is where we are.

Councilwoman Milhaven: At the same meeting, thank you. Mr. Smith, you could go back and make the motion for 450 and 100 if you should choose.

Mayor Lane: You are being prompted here.

Vice Mayor Smith: I never thought it would be so much fun to be a loser. So I will. You know, we are scraping the bottom of the barrel here, scrambling for straws, whatever, but I will make the motion for \$450,000 of capital funding to be spent at the discretion of the cultural council or to be directed at the discretion of the cultural council, and supplemental funding of \$100,000. How did you describe this, matching funds?

Councilwoman Milhaven: Matching revenues.

Vice Mayor Smith: Matching revenue for the canal convergence project.

Councilwoman Milhaven: Second.

Councilmember Korte: Second.

Mayor Lane: The motion has been made and seconded. Any further conversation on this?

Councilwoman Milhaven: I think it's pretty much been stated.

Mayor Lane: I won't be supporting this motion either. I still feel firmly that it is a matter that we weigh this, maybe in a positive -- a very positive sense. We obviously have sense on this council for something to be done for the cultural council, it's just a matter -- and frankly, an obligation as I said contractually. So there is the obligation there, but it's -- I think -- I think it's denying us an opportunity to make sure that we are looking at what our responsibilities are and how we are going to fund them and look at this entire -- in the entire scope of things within our budget. So no further

comment from me on that.

So we do have the motion and this \$450,000 plus the \$100,000 in matching funds, all of those in favor please indicate by aye, those opposed with a nay. Nay.

Councilmember Korte: Aye.

Mayor Lane: The motion passes with 4-3 with Councilwomen Littlefield, Klapp and myself opposing. All right. We landed somewhere.

[Time: 02:21:11]

City Attorney Bruce Washburn: Mayor, I'm sorry. I was pushing my button here. I wasn't able to ring in. I just wanted to clarify that when I said that the Vice Mayor had been on the losing side and therefore he could bring it back, actually he was on the winning side of voting to have the motion lose, which is why he could bring it back. I misspoke. So I wanted to clarify that.

Mayor Lane: Very good. Thank you. All right. Well, that completed --

Councilmember Korte: Mayor?

Mayor Lane: Yes, Councilwoman?

Councilmember Korte: Mayor, I will need to leave the meeting. I wanted to let you know. Thank you.

Mayor Lane: I understand. Thank you. So noted. I mean, I'm sure the clerk received that information. Okay. Our next item, we have no further public comment. We don't have any set of petitions.

**ITEM 24 – REQUEST TO AGENDIZE A WORK STUDY SESSION ON THE CITY’S PROJECTED CAPITAL PROGRAM**

[Time: 02:22:00]

Mayor Lane: So our next item is the mayor and council and this is a request to agendize a work study session on the city's projected capital program at the request of the Vice Mayor and Councilwoman Milhaven to direct staff to agendize for a work study session to be held in December of 2015, presentation, discussion and possible direction to staff on the city's projected capital program and including spending plans for capital and maintenance of capital assets, minimum future capital needs, sources of available funding and any gap between these and funding and alternative for closing any identified gap, much of which we talked a little bit about this evening, but nevertheless, at this point in time, this simply a vote, whether to agendize this item. If there's any further explanation of what we are looking to do other than what we have got here, we are open to that, but no discussion beyond

that. So do I have a motion then to -- to move to request this to agendize.

Vice Mayor Smith: I move to agendize.

Councilwoman Milhaven: Second.

Mayor Lane: A motion has been made to agendize and second. Do we need to indicate a date Ms. Jagger?

City Clerk Carolyn Jagger: Your Honor, if the motion is to simply do what the agenda language says, then we will need to look for a date in this year, in December, to agendize it. If you want to leave the date open, then we need to amend the motion to make it clear that it would be probably sometime in the near future or possibly early 2016.

Mayor Lane: As we talk about working this into budget and staffing timing, everything like that, is there a -- since the two -- I'm sorry. Vice mayor, you requested this. I would only give some consideration for staff's ability to put some of this to go within the budget, but I would say no later than the first part of January, myself.

Vice Mayor Smith: Mr. Mayor, I think the -- the motion doesn't have a date in it.

Mayor Lane: Well, it says a session to be held in December. But --

Vice Mayor Smith: Well, why don't we change December to be held before the budget discussions. I think this is something that we want to get ahead of the budget discussions but whether that's December or early January, whatever, but ahead of the budget discussions.

Mayor Lane: Okay. So simply revise the language, is that all right, Councilwoman Milhaven to change that?

Councilwoman Milhaven: Yes.

Vice Mayor Smith: Take out in December '15 and put in the words to be held before budget discussions.

Mayor Lane: Okay. So it's so amended. Agreed by the second. Then I think we are then ready to vote on this agenda item, to agendize this item. Those in favor please indicate by aye. Those opposed with a nay. Aye. Okay. We're completely -- yeah. Okay. And Virginia is absent so it is unanimous, 6-0. On that item.

## **ADJOURNMENT**

Mayor Lane: That's the final item for tonight's meeting. I will ask for a motion to adjourn.

Councilman Phillips: So moved.

Councilmembers: Second.

Mayor Lane: Moved and seconded. Thank you all so much. Thank you, staff, for the presentations.