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CALL TO ORDER

[Time: 00:00:06]

Mayor Lane: It's approximately 3:00. It is April 29, 2014. We would like to call to order our Work Study Session.

ROLL CALL

[Time: 00:00:12]

Mayor Lane: Start with a roll call, please.

Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Virginia Korte.

Vice Mayor Korte: Here.

Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

Carolyn Jagger: Bob Littlefield.

Councilman Littlefield: Here.

Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

Carolyn Jagger: Guy Phillips.

Guy Phillips: Here.

Carolyn Jagger: Dennis Robbins.

Councilman Robbins: Here.

Carolyn Jagger: City Manager Fritz Behring. Absent. City Attorney Bruce Washburn.

City Attorney Washburn: Here.

Carolyn Jagger: City Treasurer Jeff Nichols.

Carolyn Jagger: City Auditor Sharron Walker.

City Auditor Walker: Here.

Carolyn Jagger: And the Clerk is present.

Mayor Lane: Thank you. We do have time for Public Comment for this meeting. A total of 15 minutes. I do not see we have, do we have any cards? No cards for Public Comment. Okay. There will be an opportunity at the end of this session, I believe, no, I'm sorry. Not in this case. So there are no public comments.

ITEM 1 – ECONOMIC DEVELOPMENT STRATEGIC PLAN FRAMEWORK UPDATE

[Time: 00:01:11]

Mayor Lane: So our only order of business today in this Study Session is the Economic Development Strategic Plan Framework update. We'll start from some comments and introductions from Danielle Casey, our Economic Development Director.

[Time: 00:01:20]

Economic Development Director Danielle Casey: Good afternoon, Mr. Mayor, members of Council.

I'll just set the stage and introduce very quickly. We're here tonight to do a work discussion session on the executive summary of the results of several months of really amazing work in developing our Economic Development Strategic Plan framework, and this was launched last May when the Council got together and discussed their top priorities for the community, and this came out of the priority item which indicated that we need to have a comprehensive economic development strategy.

So following that we came before the Council, requested some funding to complete this process, and brought on board IO, Inc., a nationally recognized economic development firm headed by Dr. Ioanna Morfessis and just to give you a little of her background, Dr. Morfessis has founded through the course of her career three best in class economic development organizations, most notably the greater Phoenix economic Council. She was founding president. She's also a lifetime achievement award winner and fellow member with the international economic development Council. So this evening she is going to walk you through quite a few slides. You'll see there has been a significant amount of research, upwards of 300 individuals in the community interviewed, brought together and synthesized through analysis discussions and results. A ton of research on target industries and also comparative aspirational communities and she is going to walk you through all of this, have a wonderful discussion, and so it's my pleasure to introduce Dr. Morfessis.

[Time: 00:03:04]

Ioanna Morfessis: Thank you, Miss Casey. Thank you very much, Mayor and members of the Council. And thank you, Danielle. Thank all of you for the opportunity and privilege to work with the City of Scottsdale. It's been an extraordinary, I don't want to call it a journey. It's been quite an extraordinary experience because Scottsdale more than probably any of the say 150 cities we've worked with has one of the most highly educated, knowledgeable and engaged, not just elected body, but also citizenry who really take to heart the future, the present state and future of their city. Citizens across the world care about their communities, but in Scottsdale, it shows up very differently. So we were very pleased to go through this process. And, again, thank you for the opportunity.

We also want to thank Danielle Casey and the Economic Development department, Kathy Cross in the City Council offices, and Kelly Kuester in the Mayor's office. A lot of scheduling was done to support the ability for us to sit down and meet with 300 individuals in the City of Scottsdale. I also want to acknowledge that one of my greatest colleagues and strategic partners, Ken Western, former editor of the Arizona Republic, and who was an interviewer extraordinaire, is with us today as well as many members of the public and business community who did participate in this process.

So today we will go over the, this is an extreme, extreme Cliff Notes version of the Economic Development Strategy, which we have entitled One Scottsdale: Elevating Excellence, Promoting Prosperity, and today we will go through a brief introduction of how Scottsdale is operating in the global arena, what the City Council strategic goals were and Danielle did reference those just a few moments ago, because they provide significant guiding posts to the recommendations that we have come up with. We also are proposing a definition for economic development for the City of Scottsdale. We'll review that as well as the methodology that we employed in order to develop this plan and framework.

We will discuss quite briefly the targeted sectors that we believe have the highest and greatest impact and potential for Scottsdale in terms of preserving the quality of life, providing high-quality, high-earnings opportunities for Scottsdale citizens today, add those who will come in the future, and that will help to foster the goals of the City Council as the City's General Plan, especially in terms of sustainability. We'll give you a very brief snapshot of Scottsdale's economy. We will look at the framework, which essential is an action agenda that we are proposing. We also are proposing metrics and indicators not just for your Economic Development department, but also for the city government to track the progress on how the city is doing in terms of its economy and also in terms of competitors. And then what we feel are the next steps for the Scottsdale Economic Development department. So thank you for this opportunity. So, bless you, Mayor.

So today we all know that America's communities are essentially operating in a completely dramatically different worldscape of opportunity than existed even five years ago. The whole world went through the recession for the most part, the great recession of 2007, even before that globalization, the rapid rate of globalization, the fact that more than half of the world's population lives in cities, the fact that more than half of the world's population will be out of poverty in the next 10 years, 10 to 12 years, has presented enormous opportunities. So firms of the caliber to which Scottsdale has been, become accustomed over the years as well as the greater Phoenix region have far more options today than they did even five years ago. Especially American multi-nationals continue to create more jobs overseas than in the United States. They are looking for the greatest opportunity, not driven by cost or low-cost labor, as much as new opportunities and new markets.

[Time: 00:07:50]

So it's critical that cities, and cities are, and have been, and will continue to pursue new approaches for economic development. What we have maintained, and we call this glocalnomics. It's this axiom from think globally and act globally, no, we need to think and act globally and locally in order to be competitive in today's 21st century economy. Because everybody, every community wants to create and capitalize on the best and highest employment and earnings opportunities for their people. And the competition is ferocious.

Scottsdale has a superb image internationally. People don't know Scottsdale as a business location. We'll get into that in more detail in a few minutes. So unlike many cities in our country and in Arizona, Scottsdale is in the driver's seat in terms of forging its own economic destiny. Obviously we know about the superb quality of life that is a hallmark of Scottsdale. Everything that Scottsdale is today is because of the legacy of stewardship of generations of hard work, of all those who came before the Mayor and Council, and as well as you, the Mayor and Council, sitting here today.

But you have been blessed. Scottsdale has been blessed with tremendous energy and leadership over the years who have viewed building this extraordinary community with a sense of stewardship and always a view toward the future. So today Scottsdale, yes, is one of the most sought-after residential and tourism destinations in the U.S. and possibly the world, but what Scottsdale has every city wants even if they don't know Scottsdale exists, and this is really important for us to understand the framework within which every community, including Scottsdale, operates today.

So within this contextual framework, again knowing this is an extreme summary, the goal of this economic development strategy is to elevate, enhance and ensure Scottsdale's sustained desirability as a place in which to learn, live, do business, work, recreate and visit. This goal for this strategy essentially was a fundamental building block for how we approached all of our research and all of our interviews. Again, we worked very hard to make sure that our work was in total alignment and consistent with all previous plans, documents, not only the General Plan, Character Area plans, but most importantly the Scottsdale City Council's strategic goals.

And from your work that Danielle referred to and you adopted the resolution last December the goals of your Strategic Plan all have something to do with economic development. Your organizational strategic plan values Scottsdale's unique lifestyle and character. We approached this economic development strategic planning process with that totally in mind, supporting the economic vitality of the city, again, likewise in our recommended strategy, enhancing neighborhoods. Obviously neighborhoods are the lifeblood of any community, and they need to be enhanced and preserved.

[Time: 00:11:38]

Preserve meaningful open space. Very critical to the identity and brand nationally and globally of Scottsdale, but more importantly, it's a part of the fabric of this community and what people, including your business executives who employ thousands of people, how they refer to Scottsdale as well. Seeking sustainability obviously critical in advancing transportation. So, in terms of looking at that framework, guided by the City Council's organizational strategic objectives, we then turned to define economic development, and this came after all of our research. We looked at best practices, but more importantly, we looked at what makes sense for Scottsdale. No single definition works for every community.

Historically the general understanding of what economic development is, is the generation of wealth. Does that mean wealthy people? No, it means the creation of opportunities to improve the standard of living and quality of life, including quality jobs and earnings opportunities within a community. Quality of life begins with a paycheck, or if you're a business owner, with your quarterly profits. And so that is sort of the underlayment of how we approached defining economic development. We also want to acknowledge all the distinctive attributes about, of Scottsdale. There's an abundance of them that essentially are hallmarks of distinguishing Scottsdale from all other communities, as well as hallmarks of success for the community.

So we know that Scottsdale has a completely distinctive and unsurpassed quality of life. The majestic natural environment is beautiful and Scottsdale itself is beautiful. I think without exception every Councilmember when we did our interviews said that Scottsdale is clean, beautiful and safe. Scottsdale has a very highly educated and engaged citizenry. It's very aesthetically pleasing and has a very sensible built physical environment, which we think is really important in terms of the kind of economic development that the city ought to pursue. There's a quality of residential community quality of housing stock and tremendous differences, again, beautiful, and there's a richness of amenities for visitors and businesses as well, and it's not just shopping in resorts. There's a lot of things to do. I

think a few Councilmembers, one in particular, said to me, you never have to leave Scottsdale in order to fully live your life. Although I think that's a true statement, I would warn anyone about not wanting to leave Scottsdale and experience the rest of the world. But I will share with you two members of the Mayor's Youth Council also said Scottsdale is just, just about offers everything we could possibly want in terms of living our day-to-day life. So for many, economic development is defined as the creation of jobs. I shared with you it's really a process. Economic development is a process by which and through which communities improve the quality of life and standard of living for its residents. Those who are here today and those who inevitably will be here tomorrow.

So based on all of this information, our recommended definition of economic development for the City of Scottsdale is: through the City of Scottsdale's economic development investments and programs, the city retains, grows and attracts targeted sources of wealth generation to enhance the community's tax base and quality of life, to preserve the natural environment, and to foster prosperity for all citizens. So is this carte blanche to invoke the name for economic development to justify any public decision? Absolutely not. What this says is that we are focused on the absolute quality, best quality outcomes for our citizens, businesses and overall community because we're being intelligent about what we are working to retain, grow, including start-ups and expansions, and attract that will be consistent with our preserving our physical environment, our natural environment, our quality of life, will enhance the tax base and promote prosperity for everybody. That is how we respectfully recommend Scottsdale define economic development.

[Time: 00:16:43]

In going through the methodology, I will go through this very quickly. We utilized all best practice standards for economic development strategic plans, and with humility I would like to say we've probably contributed to a lot of those best practice standards. So whether it's Deloitte Touche, IBM, McKinsey or IO Inc., the bottom line is we have utilized the most important methods known as best practices for targeted sector selection as well developing a recommended strategic plan for economic development. A lot of our research is based on data, a tremendous amount of work was data driven, but we also had reality therapy because IO Inc. distinctively has a brain trust comprised of current as well as former CEOs from every sector in the economy, every size of company, and from throughout the United States, and a few who are not in the United States, and they review all of our work, even work that we have gotten from all the experts in a particular field, to see if in fact we are on target. So we feel very, very good about our recommendations.

So we're going through this very quickly. Danielle did refer to the aspirational comparative analysis. We're still finishing that up. And throughout the course of our 300 interviews, it was clear that some folks in Scottsdale compare Scottsdale to other cities and greater Phoenix, and truly the competition, yes, we all need to be concerned about what our neighbors are doing, but the competition is outside of Arizona, and a lot of it is outside of the United States. But in selecting U.S. cities that had some comparability with Scottsdale, we looked at Irvine, La Jolla, Austin, obviously, because Austin is a super magnet for 25 to 34-year-olds with a college degree, we looked to Sarasota, which it's not as affluent as Scottsdale or educational attainment, increasingly Sarasota is a destination for high net worth individuals as well as financial services that advise them. And Boulder, Colorado.

And so we are just finishing up that analysis but I can go over some highlights as we go through this presentation. We developed a strategic framework. I will share it with you today, as well as recommended indicators and metrics, not only for the City of Scottsdale Economic Development department measurements and progress, but for the City of Scottsdale. If economic development is an important priority for any city they're going to track the most important indicators that make the most sense for their businesses, their economies and their citizens. So this is just a little diagrammatic scheme of what our building blocks are to get to the economic development strategic plan.

The SWOT process I would like to, process, I would like to focus on that. We did engage 300 public, private, civic leaders, Mayor, Council, City Manager, charter officers, department heads, state and regional officials, federal officials, but most importantly, private citizens. Executives, business owners, quality of life advocates and citizens, everyday citizens, who are actively engaged in city affairs. So we interviewed 230 individuals, and by the way we started Christmas week. We had several roundtables with major employers, including Airpark employers, entrepreneurs, quality of life organizations, which was very important and, again, members of the Mayor's Youth Council, and I must share with you that in meeting with these young people it restores one's hope for humanity and for the future of our country.

[Time: 00:20:59]

So let's focus on strengths. By the way, 99% of the people that Ken and I met with did not want to talk about strengths because they're abundant, they're well-known, and people like to use the strengths as bragging rights. So obviously the Airport and Airpark, regardless of where people were located, this, the Airport and Airpark were cited as one of the most important strengths but really right in the middle, quality of life, without exceptional, universal. The downtown district, Scottsdale's reputation and name recognition, the very high caliber of public services and quality public staff, including your new City Manager, by the way, were cited quite frequently in terms of important strengths, the events, the fact Scottsdale has educated and affluent people and the destination tourism.

Now, I may take a few more minutes on this particular slide because we feel that, we talked to a lot of people who are extremely active in the community but at the same time maybe it was the first time they were asked, what do you think about Scottsdale? And how do you think Scottsdale can be better than what it is? Obviously lack of vision was cited in numerous occasions, probably almost by every -- 200 people. Lack of vision on the part of, and forgive me, Mayor and Council, in terms of planning for economic development, lack of vision on the part of the elected and public body for not focusing on planning for Scottsdale Road and 101, the state owned land there, lack of vision in terms of not providing sufficient direction for economic development. What was really hugely a problem cited was the divisiveness in government, and some of it comes, with all due respect, from Mayor and Council, and a lot every it comes from the citizens. And so when we get to our recommended actions, because I was asked, well, how can we, how does the Mayor and Council control civility? You don't. But I think if everyone were to exemplify the most respectful behavior on the dais, and when there is disrespectful behavior down here on the floor in the Kiva that it just not be allowed. And so this is a huge source of heartburn for people who truly care about the city, your young people, older people, people you don't even know about that we interviewed as well as your employers, quality of life leaders. The fact that

Scottsdale is only 219,000 people, as extraordinary as it is, it is host to almost 9 million visitors. It's known to millions of people around the world. So Scottsdale's impact and reach is far greater than being a 219,000 person city. But the fact it's viewed as divisive is a huge problem.

And that really is, that's why in our name for this strategy, One Scottsdale, unifying the city, being on our best behavior, and showing that we are moving in unison to create a better future for us all. Another major challenge, this coming mostly from the employer community, and in addition to our SWOT interviews, our colleague Dan Malachuk who is a distinguished former CEO, personally interviewed 26 employers to get their take on the operating environment here. The lack of young talent is going to be increasingly a challenge for the whole world in the western economies. It will be a challenge for America, excuse me, thank you. Excuse me. And it's going to be a challenge for some places in Arizona, and it will be a challenge for Scottsdale as well. We have many recommendations about talent cultivation, retention and recruitment in our strategic framework.

[Time: 00:25:39]

Lack of land is another major issue, the fact that Scottsdale is almost built out. And that we need to focus on areas such as 101 and Scottsdale Road to ensure we have appropriate future employment. I won't beat the horse any further. Folks can read these. Opportunities abundant. There was no, absolutely no deficiency in terms of people embracing and being excited about the future for Scottsdale and the abundance of opportunities. Obviously growing high-value-added sectors, opportunities for employment sectors, including Scottsdale Airpark, 101 and Scottsdale Road, McDowell Road Corridor, downtown. Quality jobs was cited as one of the best and highest potential opportunities for the City of Scottsdale, Cure Corridor, expanded transportation and transit. Transportation issues were cited significantly in all of our interviews. Obviously housing downtown and several people said there's an opportunity to increase civility.

Now, threats, the other word cards, we only had 10 each, but there were so many ties for threats. So it has 12. Forgive us. One of the greatest threats perceived, two of them huge, failed bond elections, and the ability to attract and retain talent. Again, people who aren't even employers cite this as a challenge. Also the perceived antigrowth attitudes, mainly among citizenry, enclave mentality of Scottsdale, a perception that government and leadership are unwilling to invest in the future, but that really is more about the citizens who don't support the bond elections. Failed Scottsdale Unified School District overrides.

Huge source of heartburn for a lot of employers, including entrepreneurs. The great divides, as I call them, north versus south, old versus new, and I don't mean age necessarily. And rich versus less affluent came up time and time and time again. And then something, there's a problem for Arizona, limited capital for start-ups and what was astounding to us is that your major employers who have nothing to do with entrepreneurship, nothing to do with venture capital, these are globally known and nationally known names, say that the lack of capital for start-ups and entrepreneurs is a huge problem. So they are very aware of it, too. So I think I shared a little bit about identifying targeted sectors. Again, we wanted to identify existing and emerging opportunities within the economic drivers Scottsdale already has as well as ones that will be evolving over the horizon that will strengthen and enhance the

quality of life in the community, current economic base, and the natural and physical built environments. So in so doing we looked at those that could capitalize best on the advantages of Scottsdale and the greater Phoenix region and who would not be as prone to not benefit from the comparative disadvantages of the greater Phoenix region.

So we'll go through this quickly, but this is essentially how we selected the targeted sectors. What they are essentially are the advanced business services sector, and Scottsdale already has a concentration of these firms. What are advanced business services? They essentially are professional and business services, corporate headquarters, insurance services, financial services, and shared services, which are subsectors of advanced business services. This sector is one of the fastest growing in the global economy and number two or three depending on whose data you use in the domestic economy. Innovation and technology obviously, very important underpinning already for Scottsdale. So what we wanted to do was look specifically at information, communications and technology. That's the digital universe, essentially, and what are the opportunities there, and because so many of your entrepreneurial firms, your young firms, are in the, are in the digital economy, so to speak, where we included entrepreneurship, a deep dive into entrepreneurship and emerging enterprises under innovation and technology.

[Time: 00:30:48]

Biolife sciences, you have a very significant growing concentration. The Mayor calls it a cluster of these firms. You have Cure Corridor, blue chip names such as Scottsdale Healthcare and Mayo, obviously, and so this sector in the healthcare sector, there's two major sectors in biolife sciences, one of them will continue to grow exponentially in the next 15 years. The visitor and hospitality trade and commerce, very important to the economy. It's hugely important to the city coffers. And we get it.

Higher education, an area that is so critical to any economic development strategy or policy for any community. Because higher education is how you, how a community is able to make sure that it is able to have the talent to retain the jobs that exist today as well as to grow new firms and attract high-quality jobs that need that kind of talent in the future. And I see here that entrepreneurship was broken out separately. So I'm eating my own words. Okay.

So Scottsdale, let's just take a quick look at the demographic factors. Scottsdale, we know is very affluent. This is all 2012 or 2013 data. Median household income, \$76,000. That's quite high. Much higher than the national. Much, much higher than the Arizona. Average household income is extremely high. Average disposable income, this is critical to a city, this is people having this money to spend in the economy. They go to Scottsdale Fashion Square or Scottsdale Quarter and go downtown to eat or to the Center for the Performing Arts to see a show. And then the median home value, obviously very important. 81.2% of Scottsdale's residents have some type of post-secondary education, and that includes Associates degree, some college but no degree, Associate's degree, Bachelor's degree and graduate or professional degree, meaning a law degree or a medical degree. Sorry about the difficulty in seeing this table. This came from MAG. Their employer surveys, all employers with five or more employees. Again, you see the concentration of jobs in Scottsdale by economic sector. Business services, finance and insurance, your two biggest, and then healthcare, two

biggest, three biggest sectors for employment.

Retail obviously Scottsdale has a blue chip name, along with Newport Beach, and on the scale of Beverly Hills. People come here from all over the country to shop and you have tremendous assets in the retail sector. So I want to move into the advanced business services sector and go quickly through that. We have provided a description of every kind of economic activity that this sector has. Again, it is really, truly the most important sector in terms of high-paying jobs in the Scottsdale economy.

So what is LQ? Location quotient. We're going to have a location quotient. A location quotient is a statistical way of defining the concentration of a particular kind of industry sector in an economy. So the U.S. is typically viewed as one, a location quotient of 1. If a community has a location quotient higher than 1, it has a higher concentration of jobs in that sector than does the U.S. on average. This is important because if you take a look at headquarters, Scottsdale is headquarter central for Arizona. Scottsdale has less than the average concentration of headquarters than does the United States, and so does the greater Phoenix region, but Scottsdale has a location quotient of almost 2, which is almost twice the national average, what you'd find in any community on average in the U.S., and three times as much as the state, and more than twice than the region. So corporate headquarters jobs are really critical to the City of Scottsdale economy. This is the Cliff Notes version. I'm wondering if we could please get this a little bit, maybe a little bit back. So what is really important to look at is that Scottsdale.....

[Time: 00:36:09]

Mayor Lane: Ioanna, you'll need to move to the microphone or bring it to you.

Ioanna Morfessis: Sorry, Mayor. Scottsdale has 5500 jobs in the corporate headquarters sector, but please look at the average earnings per job, \$99,000-plus. The growth in corporate headquarters, and some of these are indigenous headquarters, by the way, Scottsdale Healthcare has grown a lot, et cetera, the growth in corporate headquarters was 34% over the last 10 years, up through 2013, which is significant. And that's why we take this snapshot of this sector and all of the sectors we looked at, because these are the ones that make the most sense. You're retaining existing industries, you're growing new opportunities, and you're creating very high-paying jobs. I think that's going to be too cumbersome. I'm just going to go through the PowerPoint.

Financial services in Arizona, Arizona has a huge concentration of financial services, almost two times that of the national average. Look at the greater Phoenix metropolitan statistical area. And I want to share that GPEC had a lot to do with growing this sector. It was nonexistent in 1990. It has an LQ of 2.63. Scottsdale above the national average, less than the greater Phoenix regional but Scottsdale has had significant employment growth, 62% of growth in financial services jobs for Scottsdale between 2002 and 2013 and the average salary was \$91,000 plus.

This is the snapshot. I won't go in detail. It was provided in the presentation. For the insurance services sector, Scottsdale clearly is, has a high concentration of jobs in this sector. More than two times the national average. More than two times Arizona. And close to almost two times of that of

greater Phoenix. The average earnings per worker in the insurance services sector is just about \$80,000. There were significant employment growth in this sector between 2002 and 2013 and based on our sector analysis, insurance services will continue to grow exponentially in the world and U.S. economy.

Shared services, people think of this as back office, offshoring, et cetera. Shared services have evolved. Almost every major American multi-national has a shared service center, one or two at least in the U.S., several around the world, not for low-cost labor. They are centers of excellence where they are concentrating their legal department, their I.T. departments, their finance, a lot of their cash, their treasury and cash management, their Internet marketing. You have many privately-held firms here in Scottsdale who have, who aren't headquartered here who have concentrated these functions here as well as many publicly traded companies in Scottsdale who have shared service employment here. Very high paying, \$63,000, maybe not compared to corporate headquarters, but the bottom line is this is twice what the average Arizonan makes.

[Time: 00:39:56]

Information communications and technology increasingly Scottsdale is almost double that of the U.S., Arizona and greater Phoenix. You have a lot of firms in information and communications technology located in Scottsdale. Average earnings per worker, \$93,000-plus. Huge area for growth in the global economy, in the U.S. economy and in the Arizona greater Phoenix, but most especially in the Scottsdale economy. So identifying the most highest impact, best opportunities in this sector was an important goal for us. Entrepreneurship, obviously, well, let me share that McKinsey calls this century the century of the entrepreneur. Increasingly governments across the world have gotten involved in entrepreneurship because they see it as a way of improving the standard of living and quality of life for their citizens and their countries. And with all of these forces coming together, including the aftermath of the recession, which was devastating to the start-up rate, to job creation in the United States, with the convergence of opportunities, globalization, technology and the recovery of the economy globally and domestically, entrepreneurship will continue to take off.

Let me just share with you that young firms between the ages of 1 and 5 accounted for two-thirds of all job growth from 2008 to 2011, and companies, the Fortune 500 shed about 3.5 million jobs. So the young firms, meaning they go through start-up, they survive, going from years 1--to-5, they are huge job generators, but more importantly they're starting their companies small but want to be big, bigger than Google, bigger than Exxon. So Arizona ranked 32nd among the 50 states for start-ups last year. We had ranked number 1 the prior year. But start-ups dropped across the United States. And so it's a trend that is alarming and one that needs to be reversed, and a lot of it has to do with U.S. immigration policy.

You say, how does that affect Scottsdale? Well, it does. It absolutely affects every community in our country. And so our start-up rate in Arizona in part reflects the, as well as the decline across the United States in start-ups, reflects the inability of our Congress to do something about immigration. Phoenix, the greater Phoenix region, ranked 13th among the, among the nation's top 15 Metros for start-ups. So we're still hanging in there.

This is a map that shows Kauffman Foundation. They are the world's most authoritative source on entrepreneurship and they study it the most. You can see that entrepreneurial activity by state, of course, California is going to be strong, Arizona is hanging in there, and we are going to yet again emerge as a strong contender.

Biolife sciences, very critical. We have the convergence of all the disciplines of science, of economy, technology, nano, you name it, it's happening in the biosciences. So understanding of human health, improving human health is accelerating, the healthcare sector is a big part of biosciences, and in the City of Scottsdale, it is growing significantly. There's two sectors, two major sectors, in biosciences. Biomedical, biotechnical. That's where your hospitals are, your ambulatory clinics, and dialysis and imaging centers and the like. So biosciences includes biomedical/biotechnical, because then you have biotechnology, which is totally different. And so Scottsdale ranks quite high if you look at this, higher than the state and region, and higher than the nation. So an increasing concentration of healthcare and healthcare-related enterprises in Scottsdale. Very important. The jobs, average earnings per worker in this sector, in Scottsdale, was \$60,000-plus. Very outstanding income.

So we'll go through this quickly. Biotechnology is very different because biotechnology essentially uses science and technology to address and change perhaps but harness living organisms, and so that really will help focus and improve, focus and improve health of human life. So the biotechnology industry organization says that what biotechnology does is to help heal, feed and fuel the world. Arizona does not score all that high in biotech. These are lab-type, bench lab jobs. Although the Flinn Foundation has been stalwart and stellar in growing this sector in our economy since 2002 and we are way far along because of that, Scottsdale has the highest concentration, other than Tucson, of biotechnology jobs in our state, and, of course, the earnings, \$112,000-plus. These are important jobs to keep and to grow.

[Time: 00:46:04]

Visitor hospitality, obviously outsized impact on the city's treasury. The, in Scottsdale the concentration is about 1.5 times that of the nation. Average earnings from hospitality and visitor trade, \$33,000. So in terms of higher ed, having the best and brightest talent is going to be critical. There is the hunt for talent. Employers want the absolute most imaginative, most creative, most productive workers in the world, and this global demand for college educated workers will continue.

Scottsdale has a very low location quotient, under the national average, under greater Phoenix, because it has limited higher educational institutions. The average earnings in higher ed, \$54,000-plus. So this is an opportunity for growth. We did put forth many guiding principles for the economic development strategy, and I won't read them, but they're all listed here, and the bottom line is, this framework builds on the legacy of stewardship in Scottsdale, the Scottsdale City Council's priorities, the citizen approved General Plan, all these other plans that have been approved, our own research and energy, our interviews with Scottsdale citizens, our interviews with employers, data-driven deep dives into these sectors, but one that addresses those strengths, weaknesses, opportunities and threats as well.

So our recommended framework is grounded not only in these guiding principles but again aligned with

the Mayor/Council vision and priorities. It will require strong and sustained leadership from the Mayor and City Council over time. There has to be a complete integration and alignment of economic development within the city government. I shared this with the City Manager yesterday. Everybody in the City of Scottsdale needs to be an economic development ambassador. Just as your front-line workers and many of your staff are so gracious to citizens, they also need to be champions for making sure that the Scottsdale economy remains healthy and competitive. And obviously accountability very important value. So, again, the goal of the recommended strategy was to elevate, enhance and ensure Scottsdale's desirability as a place in which to live, learn, do business, work, recreate and do business. I really apologize for this. I'm going to ask for indulgence on zooming so that the audience can see more clearly. I know you can't read this, but if we could just kind of zoom to like this part of the page, please. Top third or, okay. So we obviously repeat what the goal of the strategy is. It's what we were charged to do. This is a strategic economic development framework action agenda. What we, based on all of this work, believe to be the most important nine buckets of activity that the Mayor, Council and city government need to undertake. We have been very specific as well as checking off when this has to happen over the next five years.

So, for example, number one, galvanize and champion, I think I'll just go back to the PowerPoint, thank you. Galvanize and champion a united city, One Scottsdale. That comes from the top. The top elected leadership, the top public management. This is critical. Because Scottsdale may be doing just fine in many people's minds, but there's an entire world out there that wants and could possibly reach and then surpass what Scottsdale has. So having a unified city, moving forward with a sense of purpose in unison toward a greater good is so critical.

[Time: 00:50:52]

We identify many things within this framework. I won't go through them in detail. But improving and restoring connections and communications with the employer community is a part of this, but also involving citizens to work with employers because we're all in this together, and that is very important. Our second recommended big bucket of activity is to retain and grow existing economic drivers and employers. Scottsdale has so much upon which to build, sorry, that to not work to nurture, cultivate, keep it and grow it would be, would be a complete travesty. Business retention and expansion has to be the city's number one economic development goal in terms of activity. And Mayor Lane and member of the Council members are calling on firms with new energy and excitement, obviously from the Economic Development department. This needs to be institutionalized so it occurs and transcends whoever may be occupying public office. Very critical.

The third big bucket, ensure that Scottsdale's present and future employers will be able to cultivate, retain and attract the talent they need. Well, how are you going to do that? You're Mayor and Council. You're Mayor and Council because we're going to do this by convening our employers, letting them understand that this is a top concern to the city government, that you recognize that this is a challenge, involving your existing educational institutions as well as the Scottsdale Unified School District, and working to make sure that GPEC, ACA, ASU, all of the delivery system for training and education is being focused on what Scottsdale employers need. We also feel very strongly that there has to be a way to connect the city and its economic development to recruiting and cultivating talent,

obviously these programs we just referenced, but to the young professional organizations, because young people seek them out when they move to communities. And it's important, we know this based on our interviews and focus groups, we know that young people who move here for a job, it takes them a while to adjust, as it would in any city.

So we feel very strongly that the economic development programming has to include connecting to youth groups as well as to professional organizations comprised of ethnic individuals, which is a very, very important consideration, especially for employers in Scottsdale who have a lot of STEM jobs.

The fourth big bucket, strengthen the city's foundations for the firms and jobs of the future by identifying infrastructure, quality of life and post-secondary improvements that could position the city more advantageously for business and talent retention and recruitment. We again feel very strongly based on all of the input from Scottsdale's employers, residents, quality of life leaders, elected officials, et cetera, that the city needs to commit to effectively and expeditiously address the city's transportation challenges. We feel that looking at and perhaps even revisiting the potential for high-capacity transit has to be part of that dialogue. Even if the city says we're not going to do it, fine, just be forthright and let your employers know. In addition, well, it wouldn't be fine, but that's your choice and prerogative. Just, please, be square with them and level.

[Time: 00:55:15]

In addition, investing in what is a foundational, a cornerstone for Scottsdale's identity and quality of life, and that is performing arts and the arts and cultural assets need to receive continued investment as retail offerings, very important, that's something Danielle shared a factoid and we did some more research, Beverly Hills spends at least half a million dollars a year promoting itself to new retailers. Can you imagine? I mean, who in the world doesn't know Beverly Hills? Obviously to continue to invest in what you have done is such a huge legacy for Scottsdale, the McDowell Sonoran Mountain Preserve, expanding existing and new post-secondary institutions would be a very important priority for the City of Scottsdale's economic development strategy.

The fifth bucket of activity, invest in and strengthen present and future employment and business centers. That includes Scottsdale Airpark, one of the golden geese that has, creates golden eggs to this day for the City of Scottsdale. We were asked to sort of write a five-year vision statement five years from now Scottsdale Airpark has regained its ranking as one of the top three employment centers and again is replete with successful firms. Continuing to invest in the infrastructure, leveraging the investment that the city has in the airport with economic development and vice versa. They, the two go hand in hand to make sure the airport is part of the city marketing message and vice versa. Staying connected with the existing Airpark employers because I can assure you there are other communities in this Valley as well as from around the country that are calling on them.

And then this is for Mayor and Council, making sure that zoning and entitlement decisions that are made today do not inadvertently create a future opposition base for the continuation of the airport operations. Very critical. Downtown Scottsdale, in five years it will have morphed from a medley of different quadrants to the single most visited and attractive Arizona destination for Arizonans as well as for visitors and we have a lot of things here. One of the things that we do suggest to Mayor and

Council is that a downtown improvement district be established, Councilmember Littlefield shared with me there used to be one, I guess for various reasons they didn't get along, but the bottom line was it was not structured correctly, and to move and advance downtown Scottsdale forward we strongly urge you to consider it. We also think there should be a retail recruitment and marketing strategy as a part of this entire effort for downtown.

The McDowell Road Corridor, we see it as a boulevard of big ideas five years from now. Teeming with entrepreneurs, innovators, anybody who has a great idea and wants to do something about it, that's where they head. And where you also would have perhaps higher education as well. So we, again, for Mayor and Council, strongly urge the Mayor and Council to renew the redevelopment area designation to preserve the opportunity for the use of redevelopment tools consistent with what will be needed to get the caliber of the kind of redevelopment we are talking about, working with SkySong, totally undercapitalized resource from a city government standpoint, and there's much more to be gained there. We also think the Economic Development department should be the lead agency for the city for the redevelopment plan.

[Time: 00:59:20]

Cure Corridor, great vision. Envision the corridor to be internationally known for being a place where people want to go to get the foremost in personalized medicine and healthcare. There is a lot to do with Mayo Clinic and Mayo Hospital and the future medical school. Finally, the state-owned land at the 101 and Scottsdale Road, we envision in five years or less that Scottsdale, the State Land Department, Arizona Commerce Authority and GPEC will be joined at the hip to be announcing publicly the location of a trophy corporate headquarters, meaning Fortune 1,000 headquarters that wants to put their global headquarters there. When we talk about this we're not talking about New York or Chicago density. We're talking on the scale of an Irvine, California, somewhere between what works beautifully for Scottsdale, Gainey Ranch, perimeter center, maybe to mid-rise, meaning six to eight stories, that you find in Irvine, but these firms concentrate together because they want to have a blue chip neighbor and they want the concentration of talent, and that's what we recommend.

We also recommend that the city significantly, number six bucket, significantly elevate and engage the Scottsdale, Scottsdale in national and economic development and international economic development. Let me just share one important fact. There is no Fortune 500, Global 1,000, Russell 2000, which are the largest privately held firms in the U.S. and some around the world, executive who has not been to Scottsdale for a conference, for golf, for waste management, whatever. They may even have a second home here. When an executive comes to Scottsdale, they don't know anything about Scottsdale from an economic or business standpoint. And telling the Scottsdale business story needs to be as important as telling the visitor and tourism story, and so having a business brand, again, focused on the caliber and quality we have been talking about, but having that business message and brand on par with the tourism brand is really important.

Scottsdale needs to do this if it wants to keep who it has already over the long term and to be a place where those who want to create the most successful businesses of the future want to be. So we had a lot to say about that about that. Grow and attract quality firms and jobs, domestic and global, in the

targeted sectors that we have presented to you, and adopt indicators and metrics to assess both the city government as well as the Economic Development department's progress. And we have, we will be recommending many, but the big buckets, the big buckets of indicators for Scottsdale city government to track would be those that pertain to business climate, quality of life, the workforce, education and educational attainment of your citizenry, and entrepreneurship the level of entrepreneurship and young firms. For the City of Scottsdale Economic Development department we are recommending some traditional and some nontraditional metrics that are universally used, some of which are not. They would be best practices. These would all be under employment generating. So you attract the quality of jobs, the number of jobs, the quality of jobs, the educational attainment needed for the jobs. Redevelopment and revitalization.

How far along are we in that and what kind of money is being invested from the private sector. The capacity, development and improvement, all the things we said Scottsdale need to, should do to improve its ability to be competitive and even more competitive for the future. And then obviously tracking against the implementation, tracking the implementation of the strategy itself. We also are recommending next steps for your Economic Development department. We view this as a period of rebuilding. There was a lot of discontinuity in city government, new City Manager, new staff turnover, new this, new that, and the bottom line is Scottsdale's economic development was not as robust as it should have been. And perhaps not as clearly defined as what it should have been. So recently you have new leadership, the City Manager recently bifurcated the economic development from the tourism, makes great sense, people can stay focused on what they're best at.

[Time: 01:04:34]

So the Economic Development department is in a rebuilding mode. It needs to restore trust and confidence. There are members of our Council who feel the Economic Development department isn't performing. I can share over you the last five years it was not a stellar performer but things are different now in the last 8 to 10 months. Reconnecting with the employer community is absolutely mission critical for Scottsdale. And those connections need to be again institutionalized and ongoing. And then reinvesting into the agency to bring it on par with a market of Scottsdale's reach. The fact that there's \$40,000 for marketing is astounding for a City of Scottsdale's relative affluence and, more importantly, standing. And so we recognize there's budget cuts, et cetera. We strongly urge the Mayor, Council and City Manager to find funds to invest in the department so it can do what it needs to do.

I want to share with you, we had a work session with the Economic Development Director and staff, and this is the vision they have for their department that will be a reality in five years, by 2017, if not before. The Scottsdale Economic Development department ranks among the nation's leading best of class organizations and is recognized for its significant contributions to Scottsdale's quality of life, economic prosperity and global brand through its high performing certified professionals, innovative, focused and solutions-driven approaches to support business and economic growth, and through its collaborative, proactive engagement of local, regional and state partners in Scottsdale's economic development. These were their words. It was wonderful to work with the Scottsdale Economic Development Director and staff on this. They are committed to making an enormous outsize contribution to Scottsdale's

economic prosperity.

Okay. We talk about partnerships. We think there's a lot of partners who are underutilized as well. We have specific roles. For example, small business assistance, very critical, and we would hope that the Scottsdale Chamber of Commerce partners who are great partners would like to take this on. We think that relationship with the CVB needs to be stronger and the CVB needs to have some of its program as outreach, not only work in partnership with Economic Development but its message also needs to be in part business-oriented as I shared earlier. You have SkySong, underleashed resource. There has to be a way to fully leverage and optimize the city's investment in SkySong and have it be a tool for economic development. It already is, but I'm talking about for the economic development program. Salt River Pima Indian community, very interesting input we received on this. I know that the city, Mayor and Council, meet with the tribal Council of the community, and there probably could be other things that could be done. It's almost like a bipolar situation because of the many, many people who cited Salt River Pima Indian community as a partner and asset, they cited it as a threat and weakness. The Greater Phoenix Economic Council, the city is very actively involved, the Mayor, your Economic Development Director. Arizona Commerce Authority, so critical. And, finally, we have a state organization that works, is business focused and is funded after 25 years of ups and downs. The City of Scottsdale Economic Development program could better capitalize on this important and precious resource.

[Time: 01:09:01]

And then, of course, there's other partners. So five years hence, I'm almost done, Mayor, Scottsdale city government, businesses and citizens are working together harmoniously and civilly, I should have put that in there, overcoming differences for the greater good. The city's government and citizens are regarded as the most civil, respectful people in the United States. Bond elections and school overrides have been approved by Scottsdale voters, supported by its elected leaders, Scottsdale city management and staff received the highest rating for customer service from businesses, not just from citizens, Scottsdale is lauded for its regional leadership and collaboration. Scottsdale's business brand is well-known and sought after by those firms that we talked about earlier, the cream of the crop. Tourism and Economic Development officials have created a new state-of-the-art in leveraging and collaborating together. Scottsdale's key employment centers, existing and new, are the most sought after business locations for start-ups, young firms, established corporations, domestic and global. Scottsdale's employers are working closely with the city and existing and new educational institutions located in Scottsdale to cultivate, develop and retain the talent that they need. Scottsdale's Economic Development department is operating at its vision and even beyond. And Scottsdale's indicators and metrics have set the new gold standard for accountability and reporting in economic development.

And finally, Michelangelo, who we all adore and revere said "the greater danger for most of us lies in not setting our aim too high and falling short, but in setting our aim too low and achieving our mark." Now, Scottsdale has never set its mark too low. It's always set an incredibly high mark and has not only realized and reached those goals and milestones but surpassed them. So what we hope the Economic Development Strategic Framework does for the City of Scottsdale is take that high mark and set it yet higher again so that everybody, Mayor and Council, city management, your charter officers, your entire

organization, is working in unison to make sure that Scottsdale optimizes and becomes all that it can possibly be. Thank you.

[Time: 01:12:10]

Mayor Lane: Thank you, Ioanna. Obviously the purpose of this study session, or this, is to give you some feedback, I suppose, on some of our thoughts on what you relayed to us. It's a mountain of information and, frankly, an awful lot of things that, frankly, we've been in touch with for a while and, of course, as far as good, bad, indifferent, or the SWOT indication of weaknesses, strengths, opportunities and threats, and there's always our differences in how to approach these things and I think you were pretty direct as to your thoughts both politically and financially as to how we, you are recommending, and I know that there are differences of opinion on that and some I share myself.

You know, there's a couple things, I guess, just to get some thoughts started, I suppose. One of the things you were talking about as far as the areas of industry or cluster of businesses or, frankly, of enterprises, one was higher education. I noticed that it has the absolute strongest percentage of growth of any of the areas. Now, I realize whenever you're talking about smaller numbers you're talking about more significant presentation of factual percentages, even though they, but, still, it's indicative of the fact that naturally there has been an attraction of higher education to come here. It's not I don't believe anything that the city has necessarily tried to attract, and, in fact, to tell you the truth, there has actually been opposition to that kind of thing in the past. So with the added emphasis on STEM and some of the issues of workforce, or the sources of workforce in the technology sector, we do know that regionally and statewide there's a major effort to address that issue. We also recognize that through the course of the last several years with the building of the cluster of businesses within that sector it's created a market unto itself.

[Time: 01:14:21]

And one of the things that even though there is a continuing cry for a local source for new talent, the attraction and the building organically of that sector has really lent itself to provide and creating a market for that workforce, either to move here, take jobs here or to circulate here. And even to the fact that some of our major employers that are majorly involved in technology in the defense industry have laid off a number of folks over the last couple of years, they've become a source for some of the big entrants into the market as well as what they may import. We've also found it true that our environment, by virtue of and by design, has been able to easily attract people on the highest levels to bring them here.

So, there's a little bit of concern, I suppose, on what's laid out here in front of us as relates to some of the areas that I think there have been some significant strides made in and in developing on it and how fast do we actually want to grow. Your recommendation, and frankly endorsement of the redevelopment area and the tools that are associated with that are some of those come in direct conflict with our own charter and our own rules and ordinances within the city. And they also beg the question sometimes as to how much are we wanting to pay to step up the pace of some of this growth? We don't want to get into an artificially growing economy like we were several years ago. We'd like to have

a healthy growth rate based upon real, sustainable facts of businesses that want to be here and want to grow here. So prompting people to be here with some artificial stimulation has not generally been in our rule book. We've been able to get beyond that. But I'm going to leave it at that for right now because I want to hear what some of the other Council people, the board is lit up a little so I'll defer to some other comments for right now. Councilman Littlefield?

[Time: 01:16:38]

Councilman Littlefield: I have two questions. First for the esteemed Economic Development Director: how much did we pay IO Incorporated for this study?

Danielle Casey: Thank you, Mr. Mayor, Councilman. The total cost for this contract was \$68,000.

Councilman Littlefield: How much?

Danielle Casey: \$68,000.

Councilman Littlefield: The other question I have is, I didn't see your SWOT draft in here, your S-W-O-T. In your preliminary you had a draft SWOT analysis and I didn't see the final one in your presentation. Is that going to be forthcoming?

Ioanna Morfessis: Councilman you're talking about the one.....

Councilman Littlefield: The matrix, the SWOT matrix.

Ioanna Morfessis: That had things in it?

Councilman Littlefield: Yes.

Ioanna Morfessis: No, that was illustrative only for the exercises we prepared to send out in advance of interviews.

Councilman Littlefield: So you're not going to produce a final SWOT analysis, matrix.

[Time: 01:17:39]

Ioanna Morfessis: This has the SWOTs coming from the Scottsdale people, top 10, the Scottsdale citizens and leaders we interviewed. I can go back.....

Councilman Littlefield: So in your presentation any listing of the four....

Mayor Lane: If I might, it was not in any graphic form, as he's.....

Councilman Littlefield: I don't even see it in a flat form.

Mayor Lane: It was listed by strength, weaknesses, opportunities and threats. They were separate lists.

Councilman Littlefield: Yes.

Mayor Lane: Slide 16.

Ioanna Morfessis: Slide what?

Mayor Lane: 16.

Ioanna Morfessis: That's the intro. Okay. So Councilman Littlefield, this is what will be in the report, the major top 10 strengths based on the number of recitations of that, the top 10 weaknesses, the top 10 opportunities, and then because the threats had ties from 8, 9, tied, we had 12 in there. This is what will be in the report, sir.

Councilman Littlefield: Okay. Thank you.

Mayor Lane: Thank you, Councilman. Councilwoman Klapp.

[Time: 01:18:59]

Councilwoman Klapp: I have also a couple questions. How many organizations did you talk to that are more young entrepreneurial organizations? Did you have a lot of conversations with those? Was there a long list? And then secondly, and it might be in this material, what are your recommendations based on what other cities are doing in order to attract those young entrepreneurs into Scottsdale to get them to do start-ups and develop businesses here? What are the major things that we need to be considering for the young entrepreneurs?

Ioanna Morfessis: Thank you, Mayor and Councilwoman Klapp. I don't know the number off the top of my head but I would say that we had 15 in our roundtable but we interviewed about 22. They may not have been young people, but young firms. So the heads of, the founders of young firms, in addition to that, and, well, that I interviewed. And I know we interviewed more of them because I couldn't do all interviews myself obviously. So we talked to a broad range of them. What we have recommended in this Economic Development Strategic Framework, all of those pieces go into supporting, creating the ecosystem. It's called the entrepreneurial ecosystem that every community that has strong entrepreneurship activity needs to have. You need capital. That's not up to Scottsdale, but clearly I think raising awareness of it is really important, and being understanding of it. You need to tell [indiscernible] a lot of growth in the higher ed sector, need more of it. They want to be connected, and there are very specific ideas that we have about connecting entrepreneurs within Scottsdale with one another. That's where they see the city helping them to convene them so they can look eyeball to eyeball at each other and identify themselves. So those are just a couple of the top line ideas but we have offered many.

Councilwoman Klapp: So you're saying they don't feel right now that they have the connections that they need? They need more ways to connect to each other to learn from each other? Am I to assume also they're looking for more places to congregate and live, et cetera, in the City of Scottsdale than they have today?

Ioanna Morfessis: Totally brilliant observations, yes. And half of the entrepreneurs viewed SkySong as being sort of the nexus. The other half said we don't have enough incubators, we don't have enough coworking spaces and we want them at the Airpark or further north because that's where they live. And so this needs to be part of broadening the ecosystem. It's not about Scottsdale writing the check. It's about the city, although the city could, in fact, have a city government nonprofit incubator, but it's really about the city government helping them connect with one another and then they'll take it from there.

Councilwoman Klapp: Thank you.

Mayor Lane: Thank you, Councilwoman. Councilman Robbins.

[Time: 01:22:20]

Councilman Robbins: Thank you, Mayor. Thank you very much for the presentation. I liked your line that everybody needs to be a front line economic development ambassador, and I think that's kind of what I'm looking for, is a plan. We've been talking about needing an economic development plan, and for a lot of reasons. Obviously the business community is busy running their own businesses, but we need to know how to strengthen that. The public sector, how does government fit into promoting economic development? You know, when we run for office and people ask you, what are you going to do about this, and what are you going to do about that, part of that, a lot of that entails economic development, and the city has a role to play, and we need to define our role and play that role to the best that we possibly can. But we don't have the, we're not in the driver's seat. We don't have, we're not necessarily the prime mover to economic development, but we're a big player in that.

The residents obviously, their quality of life is extremely affected by how economic development is or is not done in our city, and so when we're a net importer of jobs, when we're not a bedroom community, because we have been, our Chamber of Commerce was incorporated before our city was incorporated because people here realized how important business was even back then, and so that's been a part of our heritage and our make-up forever, and so, and they realized how important visitors were and how tourism played a part in that as well and how all that this intertwined. And so if we're going to be a player in the new economic environment, because it has changed dramatically, it continues to change, and I think we're smart to go out and look at what the state is doing, what the country is doing, what the world is doing because it has changed and it's a world economy and we need to be a player in that if you want to continue to attract visitors and good businesses. And improve our quality of life.

It's obviously stellar because of all the things that have happened before, but we can't rest on our laurels. We can't just take for granted that we're Scottsdale. So I think that we need, and we have an

Economic Development department. We have staff, people that are tasked with doing this, business of economic development, and if we don't have a vision for them, if we don't have a plan for them, then they do whatever they do, whether or not it's what we want them to do as Council or as a community, and so I think we need to make that the best possible department that we have for that reason as well. So I'm excited about a plan and something that, I'd like to synthesize it or make it as simple as when you say everybody is an ambassador, you know, if I were to walk up to somebody who is a downtown business owner and asked them what Scottsdale's economic development plan, they would know. If I walked up to someone in the Airpark in a business they would know. If I talked to a community group, they would know.

So it's one of those things where we all need to be on the same page and we all need to know what it is, and I'm not saying that the Council necessarily is going to be the determining factor of that, but it seems to be we are where a lot of that is housed, and where a lot of phone calls are made. When people come to Scottsdale and do business, they look at their local government and they look at all those factors. We're a data gathering point. So I think we can play a big role in that. But, again, the private sector is the prime mover and they are the ones that are investing most of the capital, although we have a lot of public dollars are essential to that as well. So I'm very excited about having this plan and instituting this and implementing it and getting buy-in from that because I think that's extremely important. Thank you.

Councilman Robbins: Thank you.

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

[Time: 01:26:25]

Vice Mayor Korte: Thank you, Mayor. Thank you Ioanna. Very comprehensive and very strong. I particularly liked your McDowell Road Corridor of Item number 5, invest and strengthen present employment and future business centers. But I wanted to ask, so in action Item number 4, you talk about the action item as strengthen foundations for firms and jobs of the future, and talk about the high capacity transit, also reinvesting and enhancing community and quality of life amenities, and then the C. is expanding existing and attract new post-secondary educational offerings. I would like that, well, we know that building a talented workforce and developing a workforce and developing that whole talent pool starts long before postsecondary education. And while Scottsdale Unified School District was listed perhaps as a strength, it's also a threat because of the failure of overrides.

I don't know if there's room to put more emphasis around our K-12 education, public education system, but I think we need to, and I think we need to as a community and a city to collaborate better with our school district for the success of both our school district, our students, our young adults and our community. So that's perhaps a statement but also a question of maybe where we could enhance that in here.

Ioanna Morfessis: Thank you, Vice Mayor. First of all, I'm a huge champion of education. It's been an important value in my life, from my parents and I'm a first generation college student, college

graduate a Ph.D. It means piled higher and deeper, so don't be too impressed. No humor. So education is very important to me. I'm a founding board member of the Helios education foundation. So pre-K through 20, you know, P-20 is absolutely critical and you're absolutely right. The Scottsdale Unified School District is a critical component, again, another pillar for Scottsdale's quality of life and Scottsdale's economy, and the fact is that the perception of how the community is not supportive of continued investment in K-12 is a problem on your employer community but you're absolutely right, and we do have Scottsdale Unified School District in this whole higher education thing because hopefully the children who are going through school will be college and career ready, and so the Scottsdale Unified School District has a critical role to play as does Cave Creek and Paradise Valley, et cetera, but the bottom line is the K-12 system of preparing these young people for their lives into college or to a career.

I will say with the new standards from the State of Arizona, hopefully that helps, but I will tell you in our Scottsdale youth group, Mayor's youth Council, every, and these were all, I don't know, there's like 16 or 17, between 14 and 16 years old, everyone raised their hand, they're all planning to go to an ivy league college or university, and only one to ASU. Not that ASU is not great, but, and every one of them but one needed a scholarship, or was pursuing scholarships. So as great off as Scottsdale is today, you're absolutely right, and so this is a speech and question and answer as well. We need the K-12 schools to be an integral part of the talent cultivation and retention.

Vice Mayor Korte: So with that, do you believe that it needs to be emphasized in your action plan more than it is?

Ioanna Morfessis: Absolutely, and we'll go back and revisit it.

Vice Mayor Korte: Okay. Thank you. By the way, I have a Master's in science and you know what M.S. stands for. So thank you.

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

[Time: 01:31:23]

Councilwoman Milhaven: Thank you for your great presentation and work and all the business people who invested their time to produce in wonderful insight. I'm so excited that we are now going to have a plan, and so one of the first shortcomings you identified was the lack of a plan and this is the first step towards that. So I'm very excited to be here today to learn all about this. In your project plan you talked about the importance of the state land at 101 and Scottsdale Road. It sounds like there's stuff happening and a lot to do and yet it's listed as a year five initiative, which is surprising to me, because it sounds like there's a lot we need to do to get ready to that. Could you speak to sort of the timing of that work?

Ioanna Morfessis: Councilwoman, are you directing that to me?

Councilwoman Milhaven: Or to Danielle. Because my next question is for Danielle.

Danielle Casey: Mr. Mayor, Councilmember, I can defer to you on your input on that but I think when we look at that Scottsdale 101 area, the challenges with that are state land, significant engineering and infrastructure needs. So trying to be realistic in the amount of time it would take to develop that and get it ready for the types of corporate locations I was recommending, it's going to take several years.

Councilwoman Milhaven: I think that was really to my point to say it seems there's a lot of work that needs to be done to get there and shouldn't be there things we're doing today to prepare us for it to be developed in the next five years, that there's stuff we should be doing now is my question.

Ioanna Morfessis: If I may, I think the State Land Department is fully ready to sit down with the City of Scottsdale, and it's not just that site. I mean, it's along the whole Bell corridor you have such great assets. So that entire area needs to be planned thoughtfully and maximized, and so not to be critical of any particular use, but carving out 30 acres here for a car dealer or 40 acres here for something that's going to retail sales tax oriented is not the kind of employment we're talking about, and for lack of a better word, what could occur, if the city did not make this a top priority now, to at least start the dialogue and figure it all out, what the city needs and wants from state land to make this happen, we could very well be inadvertently giving up potential opportunity for the future.

[Time: 01:34:01]

Councilwoman Milhaven: Agreed. That's why I was saying I think there's work to do now. That leads me to another question, and I heard you say rebuild the department, need additional resources, but as I look through all of these great action items there's an awful lot of stuff in year 1, and it makes me wonder, well, we want to be ambitious and set a high mark for us, is it really possible to accomplish all these things in year 1? And if not, which is my guess, what, how are we going to create a level of priority around what we do first?

Danielle Casey: Mr. Mayor, Councilwoman, I'll take that one. Many of the items, and there's, that they've recommended have check boxes in year 1, and as we go and build the implementation plan internally, what that means is that those are the things that have to be started in year 1. So we don't expect they will be accomplished or fully completed in year 1 but there's going to be activity in that arena and we'll be working through detailed implementation plans on what those need, everything from what's the right target amount of visits with our businesses to the amount of jobs that we should be reasonably be a dissipating we're, anticipating we're generating through our own lead generation and that backs into staff skill sets, research capabilities, leveraging our connections and going out and promoting the city. So there's a ton of internal work that takes place to produce those results. When you mentioned just going back to the 101 up there on the north end, I think our planning and engineering teams are already doing a tremendous amount of work looking in those areas if we start today we are hoping that in five years we would be ready to be attracting that corporate location and that area. It is a ton of work and I think that what we're looking for and through their recommendations and looking at Council with this plan is that vision, that if you all are in consensus, that's what the vision should be for that area, then I think staff will get working on it, but they, getting that direction is really critical.

Councilwoman Milhaven: Well, I for one think so. What's the next thing, and so after tonight and we all say, if we say this is all great, what's the next thing we'll see from you guys on this?

Danielle Casey: Mr. Mayor, Councilwoman, we will be back on May 13th with the final. It's going to be a beautiful document, but a document that really outlines all the things that you've seen here, which is the executive summary of this plan for your final consideration and adoption. Tonight's a discussion session so we can make sure that everything in here makes sense, you know, to the Vice Mayor's point, is there anything that got missed, anything that Council is not comfortable with or that they missed the mark on. Looking at that final, any final refinements, bringing that back on May 13th and then following that, because we don't want to presuppose any Council approvals, we would take that information and move forward in creating our implementation plans that includes specific metrics for all the activities in the department, and one of the things that this recommends is being in front of Council at least twice a year, and I would like to say even more, at your pleasure to report to you on our achievements on all of those metrics and being extremely transparent in what we've accomplished, what we're working on and if we've had great successes or hurdles along the way we'll be communicating that with you.

Ioanna Morfessis: And if I just may, there's a lot of work to be done. Scottsdale is wonderful. Scottsdale has all these great assets. Scottsdale has a greater, brighter future than so many other places in our country that are perhaps stature, but there's a lot that hasn't been done. So, Mayor, to your point earlier, this isn't about accelerating growth at all. This isn't even about growth. This is about keeping your building blocks, keeping your economic drivers, keeping the economic engines that have worked and produced those levels of income, those levels of educational attainment, keeping those intact and enhancing them, and so there's a lot of work that has to be done.

[Time: 01:38:08]

Again, with all due respect, for good reason, recession, discontinuity, the Economic Development department did not have the resources and the direction it needed in order to be doing these things. So there is some catching up to do just with your own self, not with anybody else, and so we know this is ambitious, it is not just the Economic Development department. There's a lot of stuff in here for Mayor, Council and the City Manager, and so I think with a sense of purpose clearly defined outcomes Scottsdale will be even greater than what it is today.

Councilwoman Milhaven: Then I wanted to make another comment around the conversation around public-private partnerships. I remember back 10 or 15 years when I was active with the chamber there was a great, it was called the partnership where the chamber and the city and the business community all contributed resources, financial, time, talent, treasure, to help attract businesses when we were developing the Airpark, and so that resonates for me and I see a great opportunity for that kind of collaboration on this plan moving forward. So I'm very excited. I'm very supportive of this plan and thank you for all the great work.

Ioanna Morfessis: Thank you.

[Time: 01:39:25]

Mayor Lane: Thank you, Councilwoman. Ioanna, I have a couple other additional thoughts. You mentioned the Economic Development department and certainly there was a period of time where it was a matter of direction rather than resources as far as that department is concerned, and did put us on a back burner in our activities of even trying to assemble our assets and make an assessment of where we were on a number of things inclusive of giving assurances and in communicating with our business and our industry, our businesses and our industries. So I'm, you know, I'm all about what you're saying there as far as that's concerned. Certainly I'm a market-driven kind of guy and I don't really, when I made comment earlier, it went to a couple of points you made about whether or not we should now set up some kind of new promotional program for downtown retail, that kind of thing. We have not in recent time had a great problem with that provided we provided an environment here in city hall that was committed to business and to helping business rather than obstructing business on all levels.

And frankly I think that's a healthy way to go and I still believe that and I think that really can be translated from some of what you've got indicated here, at least from the standpoint of those elements that you've identified in the SWOT analysis there. Civility, that's something that is a pretty intangible kind of item and when you are dealing with people that have differences of opinion it's not an easy thing to necessarily break down the barriers and say we're going to accommodate that point of view and if it's not accommodated, well, then, you sometimes run into a situation that's less than professional and incivil. Or uncivil. The other is, well, as I said, I suppose my emphasis and my concern would be that we are providing a platform for businesses and for our residents for the best place to live, and that involves a lot of different amenities, and they include retail, they include a lot of good things that service our community. So I wouldn't take exception with any element of something we wouldn't want that services privately or publicly from our residents' standpoint.

[Time: 01:41:43]

So I'm not as concerned as I am just wanting to make sure that we identify sort of an overall philosophy as how we move forward. I agree with Councilman Robbins that we, it's good to have a plan, even though I don't think we're working completely in the dark before, but nevertheless to have it defined so it can be discussed, I think is good, and frankly to make sure that we are, and I think to use your words, on the same page as it relates to that discussion. So I'm, even though there are some items that I, you know, I might take exception with the implementation or otherwise, in fact, it brings up one point that was brought up, with regard to the infrastructure issues, as it relates to state land, it's probably something we need to look at, but historically what we have always done is wait until someone who is developing the land is available to pay for that infrastructure.

There's only been a couple times we've gotten out in front of that and one of them was about seven or eight years ago, and it was at the 101 and Scottsdale Road. We just did just two years ago recover \$10.5 million of the cost of that infrastructure through the state, well, from the proceeds from the sale of that state land with the Bell Lexus and some of the land that surrounds that area. So there has been an effort at least to utilize a strategy that maybe was a little bit ahead of game but I will tell you that cost us a great deal as we headed into a downturn having fronted the money for that infrastructure with the

hopes of getting it recovered. We were lucky enough to get most of it recovered. Still some of it is still outstanding. As you go along the 101, we've got additional issues of SLUPs out there for five-year terms for some people that use it on a temporary basis and it's sort of a win-lose situation when we consider how we use those lands for overflow parking and other things that we're ultimately going to have to address for our major events, too. So it's not as open and shut a kind of situation as we look at that, even though the planning maybe could be solidified a bit, and we're going to have to get into that. Councilman Littlefield.

[Time: 01:44:05]

Councilman Littlefield: Yeah, we could actually go on for hours about this, but there are two things that jumped out of your presentation at me, two things that you identified as problems. One was north versus south. What would be an example of north versus south?

Ioanna Morfessis: What would be an example would be, and these aren't my words, these aren't our words, these are words from the people that we interviewed. Many, especially, I'm sorry, everything I touch this thing it starts going, many people of influence and influential positions who live in the northern part of the city has little or to none, and this is perception and perception is reality, okay, facts don't matter, have little to no regard for the needs of the businesses, residents, et cetera in south Scottsdale. And so the wealthy and the affluent have concentrated up north. The irony is a lot of the city's economic drivers like the mall, for instance, Scottsdale Fashion Square, are in the southern part of the city, and so it's a huge divide that is perceived in the Scottsdale community.

Councilman Littlefield: Who perceives this?

Ioanna Morfessis: I would say probably 250 of the 300 people we sat down with.

Councilman Littlefield: Believe that people in the north don't care about the needs of people in the south?

Ioanna Morfessis: I would say that it's, yes, that people who are either have their business or reside in south Scottsdale, as well as people who live in Scottsdale whose business are in north Scottsdale feel that this is a very strong perception.

Councilman Littlefield: Would that dovetail with one of the other things that you identified as a problem or listed as a problem, which I see is arrogance. What does arrogance mean?

Ioanna Morfessis: Arrogance in Scottsdale is rampant, and it's unjustified, that Scottsdale people, and to some measure, Scottsdale elected or public, elected and public management come across as being very arrogant and elitist in dealing with either citizens, the public, whatever. So it's not just all the government, because there are a lot of people who live in Scottsdale who are, in fact, perceived as being arrogant, but this is the reputation Scottsdale has. And on the one hand you have 9 million people coming here, so you want to welcome them warmly, right, they're here for a reason, on the other hand, if they perceive Scottsdale to be arrogant, they may not come here again.

Councilman Littlefield: And would that tie in with public and citizen vitriol?

Ioanna Morfessis: Most likely, perhaps, Councilman.

Councilman Littlefield: Most likely what?

Ioanna Morfessis: It could very well be.

Councilman Littlefield: And by public and citizen vitriol, give me an example of public and citizen vitriol.

Ioanna Morfessis: Well, the examples we were given, there were many. In City Council, I don't know if it's work sessions or hearings, where people citizens line up to speak and they have that right to do it, only in America can we do that, and it also comes from members of the Council, and so there's a lot of screaming and a lot of noise making and the bottom line is Scottsdale is not taking a step forward. It's staying in place or taking a step backward. And this is the perception among a lot of your employers, by the way.

[Time: 01:47:53]

Councilman Littlefield: So citizens who come up and want to speak to the Council on an issue and are unhappy, since supposedly we work for them, so what's the answer if they're unhappy with us? Does that mean that they should not express their unhappiness? Does that mean that they should just get with the program, whether they like it or not? See, this goes back, you put down here on the failed bond elections and the failed school overrides. Gee, that was the voters who we supposedly work for. So were the voters wrong? Did the voters get it wrong when they rejected the bonds and the override?

Ioanna Morfessis: This isn't directed to Council necessarily. These employers really have a, let me just get to the right slide.

Councilman Littlefield: Well, you put it there. You have it in your report. What does it mean?

Ioanna Morfessis: What this means is there are over 200 people cited that as a threat, that if we don't invest, we, city.....

Councilman Littlefield: Do you agree or are you just passing this information on?

Ioanna Morfessis: I would agree that if there are public investments needed, and they repeatedly, I want to back up to your earlier question, sir. If public investments are repeatedly not taking place, it will have its toll on the city's underlying economic health, and so I think as part of reconnecting with the employer community and whether it's Mayor, Councilmembers, whatever, letting them see what the particulars were with those bond elections, and why they failed, I think that's, I think educating is really important. And informing the employer community. As for citizens who come up and disagree, that's absolutely our right in this great country of ours, but hopefully they do it with manners and respect.

Councilman Littlefield: I guess I question, the question I would ask who are we supposed to listen to, you or the people who elected us? Probably a philosophical question.

Ioanna Morfessis: Councilman, that's a no brainer. You're going to listen to the people who voted to put you in office. We are an expert firm. We are giving you our absolute best work and feeding back to you, and it's not always easy to hear what some of your citizens have to say when they are speaking totally openly, honestly, no fear of retribution, with a stranger who promises confidentiality.

Mayor Lane: Thank you, Councilman. Councilwoman Klapp?

[Time: 01:50:47]

Councilwoman Klapp: I want to thank you for the work that you did. I think that you gave us a lot of food for thought here and appreciate the breadth of the material that we have here to work with, and I think that the take away for me is that the city, you mentioned it in the first action area, the city needs to develop a, maybe recreate a culture we once had in Scottsdale which valued businesses and values economic development because it's what pays for all these great things that we have in the city, and that, secondly, we value the people and the citizens as well, not just businesses, and treat them all well. This is what big, good, dynamic companies do, they create a culture of customer focus and, in this case we need business focus, and I think it's these, we have to heed these comments that are coming from citizens as well as business people that if we don't treat them that way then there is a certain arrogance that we feel that we don't have to, and we are here to serve whomever needs our services, whether it's businesses or citizens, and we have to develop a, and permeate the entire city workforce with the thought that economic development is critically important because it not only pays for the senior centers and the parks and everything else, but it also pays for their salaries, and I think some people have gotten away from the reason for economic development.

I always think of the Economic Development department, and I know everybody should be involved, as being the sales force for the city. And so if you're a strong company, you have a strong sales force that's out telling the world about your product, and in this case the product is Scottsdale, and you have to have a strong sales department, but we also have to have other people within the city who are also the sales department so that whenever they're out and about and they're talking about Scottsdale they give a good image rather than a bad image to the business community or citizens. That's kind of what I read into the overwhelming philosophy of what the city needs to be doing. So I appreciate the, you reminding us of this. I think we all know it but sometimes we forget. And I look forward to hearing how the City Manager, as well as the Economic Development department and all the other departments, are going to communicate this concept throughout the workforce so that we can be the kind of city that values all the businesses, all the citizens, et cetera, and understands that we are a service organization just here to provide whatever it is that's needed within the constraints of the amount of money that we have to spend. So thank you very much.

Ioanna Morfessis: Thank you.

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

[Time: 01:53:58]

Vice Mayor Korte: Thank you, Mayor. Just quickly, thank you for this quality work, and I particularly appreciate the emphasis on high-quality jobs. We as a community need to focus on those high-quality jobs because we know the impact of that to our community in supporting the amenities that we have. Thank you.

Ioanna Morfessis: Thank you.

Mayor Lane: Thank you, Vice Mayor. Ioanna, I would like to thank you for the work on this as well, and I think there's something that you said early why you are on in this conversation, and that these, you're translating the results of those interviews to us. Quite honestly you're given us some of your opinions on some of this as well and we'll take that for whatever, however we decide to as far as that goes, but nevertheless, the communication of some of the concerns under the SWOT analysis is instructive, whether we like it or not, nevertheless, it does tell us something about a perception that's out there.

This isn't a political discussion. This is more a matter of us getting some information from sources that we find are valuable. We would like to continue to be committed to the business environment and we are interested in what their thoughts are. So that is something we have been striving to do for a long time, for quite a while, and I think this helps to clarify it and puts a plan in motion of the areas of maybe of greater interest rather than less, and frankly the weaknesses versus the strengths as well as the opportunities and threat in each of those categories.

[Time: 01:55:36]

So the idea of perception versus reality, could take each and every one of these and say that's what they perceive but the reality is this. So there's always, something, to another point you made in response to Councilman Littlefield's question on the subject, and that's education. Communication and education is a critical component for us here on this dais. Doing it civilly is certainly a big plus but, nevertheless, communication, open discussion, being able to listen and hear each side of an opinion on it is very, very important and it's important not only for us here on the dais and with anyone we contract with who gives us a study on the subjects that we've asked for, but also with our business community and with our residents on the overall. That's an important element. And there's always a bit of a struggle for that, particularly if there's misinformation that gets spread about that may darken the field somehow or another. So we have to overcome some of that. But we do the best we can. In any case I want to thank you very much for the report and effort and, again, thank all of the business people and all of the people who were interviewed for their input, whether it was anonymous or otherwise. We appreciate hearing and understanding that and I'm sure it was given with the best of intentions. So thank you.

Ioanna Morfessis: Thank you.

Mayor Lane: And that does complete, that is obviously, work study. I hope we've given you some information that we can work with going forward. Maybe I should ask this, and I know it was asked earlier, what's the next step on this? You're going to take some of what we've communicated here and hopefully come up with a final product, I presume.

Ioanna Morfessis: Well, if I may, Mayor, I am going to make a specific adjustment to more strongly reflect the Scottsdale Unified School District and the K-12 component. I didn't hear about something else that I would necessarily, the content to be changed in terms of our report. We will finalize it tonight. Your City Clerk will have it tomorrow so it meets all the timing requirements that are specified under your laws.

Mayor Lane: You know, if I might, with respect to the education component, it is a critical component and one that we are looking at on a regional basis very intensely. I know you know that. I know Danielle is aware of it as well. But the STEM and the curriculum changes that may be proposed by the business community, and this is an interesting proposal as it moves its way through the ranks, but nevertheless, one of the things that's come out of that is, frankly, the strength right here in Scottsdale of the education system. Not only on our public school basis but also on our charter schools, our private charters and that, with basis just being chosen as the second highest ranked high school in the country right here, and, in fact, to the point that the regional organization is looking to them for their model. So I think there's an awful lot of support to be given and frankly for some of the options and the things that are being considered in an innovative way and to have the educational community work in a collaborative way to work together maybe with the city as well in improving that entire sector.

Ioanna Morfessis: Thank you, Mayor.

ADJOURNMENT

[Time: 01:59:18]

Mayor Lane: Okay. Well, I think that does it, then. We're set on that. So thanks very much again. And thank you, Danielle. That is the only item on our Work Study agenda and having it been completed, I would accept a motion to adjourn. Moved and seconded. All those in favor of adjournment indicate by aye. We are adjourned. Thanks again. We're going to take a five-minute break here for a little bit because there's a little bit of catch-up between these meetings. So we will be convening our regular meeting in a little bit.