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CALL TO ORDER

[Time: 00:00:02]

Mayor Lane: Good afternoon, everyone. It's nice to have you here. I would like to call to order the November 18th, City Council meeting.

ROLL CALL

[Time: 00:00:09]

Mayor Lane: This is a Regular Meeting and we can start with a roll call, please.

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Guy Phillips.

Vice Mayor Phillips: Here.

Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

Carolyn Jagger: Virginia Korte.

Councilmember Korte: Here.

Carolyn Jagger: Bob Littlefield.

Councilman Littlefield: Here.

Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

Carolyn Jagger: Dennis Robbins.

Councilman Robbins: Here.

Carolyn Jagger: City Manager Fritz Behring. Absent.

City Attorney Bruce Washburn.

Bruce Washburn: Here.

Carolyn Jagger: City Treasurer Jeff Nichols.

Jeff Nichols: Here.

Carolyn Jagger: City Auditor Sharron Walker.

Sharron Walker: Here.

Carolyn Jagger: And the Clerk is present.

[Time: 00:00:36]

Mayor Lane: Thank you. Some order of business here that we need to discuss. If you would like to speak on any subject for public comment, we have white cards that the City Clerk has over her head here to my right. You can complete them for any of the agenda items for public comment. She has yellow cards. She's getting very good at this. But in any case those are for written comments. If you have any comments on the agenda items and we will be reading those comments throughout the proceedings. We have a special note that we would like to just at least make everyone aware of. The City of Scottsdale encourages those engaged in the discussion of public issues to adhere to the principles of civil dialogue. We do have Scottsdale police officers Tom Cleary and Jason Glenn, almost directly in front of me. They are here if you have any need for their assistance on anything. The area behind the Council dais are reserved for Council and staff. We do have facilities previously marked as rest rooms but now they are marked only as an exit but there are facilities there for your

convenience.

PLEDGE OF ALLEGIANCE

[Time: 00:01:49]

Mayor Lane: We have the Brownies of Troop 1407 with Toby Fox and Mindy Corpstein. Ladies if you can move to the microphone and if you can.....

Troop Member: Wait, guys!

Mayor Lane: That's a live mic. Whenever you are ready.

Troop 1402: I pledge allegiance to the flag of the United States of America and to the republic for which it stands, one nation under God, indivisible with liberty and justice for all!

Mayor Lane: Thank you, ladies. If you would, we can turn that microphone around for you, so you can face the audience and one at a time, if you can introduce yourself and maybe tell us what your favorite subject is and where you go to school.

Troop 1402: Hi. My name is Tara.

Mayor Lane: This is a fun Brownie troop. Your name and your school and your favorite subject, if you can.

Troop 1402: Hi, my name is Tara. I go to Sonoran Sky Elementary School. And my favorite subject is music. My name is Ariel. I go to Sonoran Sky. My favorite subject is art. My name is Anna, and I go to Sonoran Sky and my favorite subject is art. Hi, my name is Taya and my favorite, and I go to Sonoran Sky Elementary School. And my favorite subject is writing. My name is Kate and I go to Sonoran Sky and my favorite subject is art. Hi, my name is Bella. I go Sonoran Sky and my favorite subject is dance. Hi, my name is Laura and I go to Sonoran Sky and my favorite subject is music. My name is Abbey Fox and I go to Sonoran Sky and my favorite subject is hip hop. My name is Claire and I go to Archway Scottsdale and my favorite subject is music.

Mayor Lane: Thank you very much. And just to correct the record, that was the, those are the Blue Birds of Troop 1402, but thank you very much, ladies. Very nice job. And you are certainly welcome to stay and follow the proceedings if you would like. I think there's an extra badge in it for you if you do.

INVOCATION

[Time: 00:04:48]

Mayor Lane: Tonight in place of an invocation, I would ask that we take a moment of silence to

consider the family of one of our firefighters Bruce Pickett who died prematurely a few days ago. So if we could just take a moment of silence and remember that. Thank you.

MAYOR'S REPORT

[Time: 00:05:21]

Mayor Lane: At last week's Arizona library association annual conference, Scottsdale public library volunteer Paul Whitney was honored as volunteer of the year. Mr. Whitney was recognized for a host of good work. Most notably he started a story time just for fathers and their children. These dads' story times are a wonderful experience for families and my thanks for your volunteer service to Scottsdale. Mr. Whitney, if you could please come forward and accept a certificate of our appreciation.

Volunteer Paul Whitney: Thank you very much.

Mayor Lane: Okay. At our last Council meeting before the Thanksgiving holiday, while we wish you all a wonderful time, with friends and family, please don't forget that November 29th, the Saturday after Thanksgiving, is Small Business Saturday. Now, this is a day set aside for the support of our local businesses, and Scottsdale celebrates with an event on the Waterfront that includes carolers, hot cocoa and free gift wrapping for items purchased from our local merchants. So look for more information about that on our city's website, and to further show the city's support of Small Business Saturday, I have this proclamation, and it is:

Whereas the City of Scottsdale believes that small businesses are the backbone of our economy and the glue that holds communities together. And whereas dollars spend locally generate sales tax that support the municipal services that residents count on, like police and fire protection, transportation, recreation programs and libraries, money is spent at locally owned businesses, the money is recirculated and creates more tax revenue to the community and state. Whereas in Scottsdale, a substantial portion of the businesses and sales taxes that support this city come from small locally owned businesses like those being promoted on Small Business Saturday. The city supports our local businesses that create jobs, boost our local economy and provide for neighborhoods. Whereas advocacy groups and public and private organizations across the country have endorsed this Saturday after Thanksgiving as Small Business Saturday and whereas the residents across our community are being asked to support small businesses and merchants on Small Business Saturday throughout the year. Therefore, I Jim lane, Mayor of the City of Scottsdale do hereby proclaim, November 29th, 2014, Small Business Saturday. So I ask that you consider that obviously, in your holiday shopping and support those small businesses.

PRESENTATIONS/INFORMATION UPDATES

[Time: 00:08:22]

Mayor Lane: Next order of business is a presentation period of time. So we have from the Charles

Schwab Cup Championship, I think Mr. Katsenes. The Charles Schwab Cup Championship took place not quite a month ago but was a great success and it has made some announcements this year that they will be continuing to come to Scottsdale and I hope I'm not taking the wind out of your sails on this. For the next two years. But in any case, Paul.

Tourism and Events Director Paul Katsenes: Mayor, you have been reading ahead. Thank you. Among the reasons that 8 million people come to our community, golf is one of the highest and we have been exploring golf and its various permutations in its forms. We had the Junior Golf Association come forward and tell you about the various activities inside our community at the junior golf level and tonight we have another segment and that, as you introduced appropriately, the Schwab Cup who are the champions and we are lucky to have Diane Frisch from the PGA sales manager of the Charles Schwab Cup to describe to us that event and some updates on the announcements about how that event will continue on in our community. So I bring you to Mayor, Council, Diane Frisch.

Charles Schwab Cup PGA Sales Manager Diane Frisch: Thank you, Paul.

Mayor Lane: Diane, welcome.

Diane Frisch: Thank you so much for having me here this evening. Mayor Lane, Councilmembers, we had a wonderful tournament. Thank you so much for the Scottsdale weather. 80, high 80s, light breeze on the weekend. Our athletes, our sponsors, and everyone who came to the tournament certainly enjoyed it. The event is really a community event, celebrating golf, and the charities that are here in Scottsdale, the timing is perfect. Snowbirds have returned.

It's the season ending event of 26 tournaments that our athletes do. We start in Hawaii. We end in Scottsdale and by far and away, this is their favorite tournament. Only the top 30 players qualify. Champions such as Colin Montgomerie, Jay Haas, Fred Couples, and Jeff Sluman to name a few. The 2014 Charles Schwab cup championship was a huge success, thanks to your support. Tom Pernice, Jr., captured the title in a four-hole playoff. The longest playoff ever in the Charles Schwab Cup Championship. Our season ending champion was Bernard Langer. The total purse that was distributed was \$2.5 million. We forecast that the economic impact on Scottsdale was over \$11 million. Sponsors, players, their families, all enjoyed the area and all the amenities it has to provide.

International coverage on the Golf Channel certainly helped, as did a tight playoff situation that was broadcast internationally. In addition, airlines such as KLM, Swiss, Virgin, Atlantic, and Korean Airlines also covered coverage inflight. Attendance this year was approximately 50,000 people over the week. One of the biggest attributes for this tournament is certainly our local residents who also happen to be champions.

Kirk Triplett, Tom Lehman and Michael Allen are huge advocates of the tournament and all that Scottsdale has to offer, including restaurants, their favorite places to play golf, and all of the activities you can enjoy while you are here in Scottsdale for the tournament. Because of your support, we were able to announce that the tournament will return in 2015, and 2016, rather than moving every

year, we now know exactly where we will be. That will allow us to build both the attendance and the offerings at the tournament and I must tell you the commissioner was here and spoke to our players, and they are thrilled that we will be here.

Our leading sponsor, Charles Schwab, and their more than 3600 employees in Arizona, are thrilled to bring in their guests and sponsors and have found that this is one of the most popular events on the Champions' Tour. We also are in partnership with PWC, one of the original founders the first key program for children. One of the outstanding programs that we do with this tournament is tickets for charity. This year, 58 local charities sold tickets and whatever amount they sold we returned to them in a check. They were able to raise money, support the tournament, and also come out and enjoy the tournament. We are still tallying our final numbers, but it looks to be over a half a million dollars. Raising our total to \$6 million donated since the tournament started in 2003. 500 volunteers support the tournament before and after, during the week. Our return rate is one of the highest on the tournaments schedule with over 85% of the volunteers returning each year. They enjoy it. They love being out there.

[Time: 00:15:04]

This year, we were able to add a new program, the birdies for the brave military outpost, all retired, active military and their dependents were allowed free entry to the tournament along with food and beverage in a private venue. I cannot tell you the enthusiasm and the thank you notes that we were given because of that venue. We hope to be able to expand it in 2015 to include first responders. Saturday we celebrated the First Tee, which is the program for children. We had over 200 children that were given transportation, came out to the course and enjoyed food and beverage and also got to mix and mingle with our players. Instruction, just having the fun of being out at a tournament, the kids really enjoy it. We are delighted that we will be here again in 2015 and '16. Please mark on your calendars now that we will be one week later, November 2nd through the 8th. And we are already working with sponsors, clients and fans of the tournament who are scheduling to be back. Thank you very much.

Mayor Lane: And thank you very much. It was a wonderful event and the one thing that you may have left out is the fact that with the extra holes played to break the tie, on the 18th, I think it was on the second shot, that we ended up having to take that, I forget the player. Who was it who took the shot out of the woman's pocket in her sweater jacket.

Diane Frisch: Pernice hit a ball into a woman's pocket, who was sitting on the 18th fairway. Rules state she had to sit with the ball in her pocket until he came up and identified yes, that is my ball. She was then allowed to take it out and place it and I happened to be sitting with Mayor Lane watching it in the venue and I got to tell you, that was replayed so many times open the Golf Channel. And so many times on YouTube. It really made it very fun.

Mayor Lane: It was. And as strict as the rules are, we all figured they would have to take that shot out of her pocket, but in any case, thank you very much for that presentation.

PUBLIC COMMENT

[Time: 00:17:53]

Mayor Lane: Next is our Public Comment and this is reserved for citizens' comments regarding non-agendized items with no official Council action taken on these items. Speakers are limited to three minutes each with a maximum of five speakers. There will be another opportunity for public comment at the end of our meeting. And with that, I will start with a first and I believe it's Kristen Packard. Kristen, if you would come forward.

[Time: 00:18:37]

Kristen Packard: Hello. My name is name is Kristen Packard. I have a business called Kristen's Skin Studio. We are located on 5th Avenue and Scottsdale Road. We are having some serious parking issues in Old Town Scottsdale. Basically the Galleria across the street is using the public parking structure as basically employee parking. So when we get there by 9:30 in the morning, Monday through Friday, it's completely full. So our patrons are having a really hard time getting to us. On average, they are 10 to 15 minutes late. So what we're asking for is possibly getting three-hour signs in the parking structure so our patrons can make it to us in a timely way and then that we can as merchants that are located around there, have some sort of parking on the top levels of that. With all of these events and all of this economic vitality that we have going on right now, it puts a crunch on our parking and we are small businesses in the area that have been struggling with this for a long time. So who we had proposed a three-hour parking in the structure. And that we can have a parking pass of some sort to park there. Also there's a problem with the enforcement in the three-hour parking. There's one person enforcing three-hour parking in Old Town Scottsdale. And so now we have people that know that, and they park in front of a small business and park all day. And I think that's about it. Thank you.

Mayor Lane: Thank you, Kristen. Next is, I believe it's Don Edwards.

[Time: 00:20:45]

Don Edwards: My name is Don Edwards. I own the Estate Lodge and Jewelry Company on 5th Avenue. I'm here to talk about the parking situation in the downtown Scottsdale. Recently in the and probably in the last two to four weeks we have noticed a huge influx of cars into the parking structure located between 3rd Avenue and 5th Avenue and we have sat out in the mornings and watched where people park and do scatter to their different jobs. And it does appear that a huge amount of these people have headed over to the Galleria. There are, there's the culinary school and I don't know if they have got a new influx of students. They also park there. We've had a continued battle with the culinary school, with the kids parking on 5th Avenue in front of our businesses, to no avail with the Scottsdale police or with any of the advisors for the downtown area. I do know that the 41, I think it's called the 41 Building on Scottsdale Road also sends their employees over to the parking structure. I have talked to a few of those employees, and they told me that that's where they were instructed to park. I get to work, some days I get to work a little bit late. If I don't get to work

by 10:15, I'm driving around the Scottsdale area, 5th Avenue, 3rd Avenue, Craftsman Court, Marshall Way, trying to find a parking space for myself.

I think this needs to be addressed. I know the lady who spoke before me about the three-hour parking. I'm not sure that that's a solution. Maybe more of a paid parking situation in that structure. Or maybe the City Council or the planners or the, someone who works for the city needs to get with the Galleria and have a little chat with them on how they propose to handle their parking situation as they have more companies moving into the Galleria. I think there's a new company called the Weebly that just moved in. I have a feeling if we do an analysis of the people who are parking there, the majority are working for that company. And I understand there's a new company moving in. I did walk the structure at the Galleria today. I found, I think I missed one or two levels, and I counted about at least 150 spaces that were not taken up in the Galleria parking spaces, structure. So that's something that I would like to see the Council do. Maybe have a chat with the Galleria and the 41 Building and figure out what their parking situation is and with the culinary school and say, hey, you need to park in the parking areas that were designated for the 4141 building and also the Galleria parking. Thank you.

Mayor Lane: Thank you, Mr. Edwards. Next is Mike Aloisi.

[Time: 00:24:15]

Mike Aloisi: Honorable police officers here tonight, visitors and citizens of Arizona, and Scottsdale, Mayor and City Councilmembers, when we allowed \$15 million to be spent by this city going to the Tournament Players Club, I believe a grand larceny occurred. I want to be deliberate tonight. There was no referendum to have that money spent. It was the vote of seven City Councilmembers in December of 2012. I'm doing this slowly so everybody gets the picture. Now, how do you avoid such expense without the consent of the population of the city or a state or a country? Now, here's my position. If the Mayor and the City Council would have to pay \$1,000 per million out of their pocket, would that transaction occur? I think not. Now, think about that analogy. Very simply, Leonardo da Vinci said simplicity is genius. I'm not a genius. I'm just a man with common sense.

Now, how many in this room feel that there's anything more important than public safety, raise your hand to a city, state or a country? That money should have gone to police, fire, and first responders. That's abuse of authority. I believe that money can be returned. I want to force that and champion that money coming back to the city under one condition, that money, that \$15 million, not thousand, goes to the use of the police who risked their lives every day. And they get no respect like they used to. I will change that. We will have a campaign.

Incidentally just for the record, I'm building, I'm the founder and the C.E.O. of a 100-acre theme park in Maricopa County and we're looking over the cities. We will be interviewing them. I have had one bona fide landowner wanting to do it. Bottom line, let's get that money back and put it where it can do some use. It allows for three years a 10% increase to police, fire, and first responders who risk their lives every day. Thank you.

Mayor Lane: Mr. Aloisi, thank you. Next would be Rosemary Preisel.

[Time: 00:28:01]

Rosemary Preisel: Thank you, Mayor Lane. I own a hair salon, Hair on 5 at Avenue, on 5th Avenue for 28 years. And I'm having the same serious situation with parking. It is an absolute nightmare. I have clients driving around, running late. I run my salon like a tight ship and they cannot find anywhere to park. They are 15, 20 minutes late and I'm booking them back to back all day. It's affecting my livelihood and I have nowhere to tell them to even go. I have some older clients who have handicap stickers and they are parking across Scottsdale Road in Wells Fargo where they are not supposed to park. I have been told that paid parking is out of the question. I would love to see that. If it isn't an option, I would love to see token parking that is like at the Biltmore or at least three-hour parking for half of it. The other half parking, like a sticker for us, merchants and employees that work there so they can park there. You know, you say the city, the small business owners are the backbone of Scottsdale and the glue and we are falling apart. We have, and on top of it, stuck in a lease. So it's a serious problem. We haven't begun to even see the snowbirds yet. Super Bowl, Spring Training, Phoenix Open, Barrett Jackson, it's endless. It will be a nightmare. And it is for sure all Galleria parking. And what happens once 1300 more come? I mean, there is no answer here. So we just, we have to find an answer. It affects all of 5th Avenue, not just a few businesses. Thank you.

Mayor Lane: Thank you, Ms. Preisel. Next and last is Alaina Beauloye.

[Time: 00:30:22]

Alaina Beauloye: Hello. Thank you. I am the owner of Entourage Hair Salon on 5th Avenue. You are probably tired of hearing about this. It is about the parking problem. I understand people have to work and there are lots of big cities where people have to figure out where they are going to park and this is just a common thing in a big city with a thriving economy. I get it, but I'm worried about what happens when Spring Training comes and the rest of the tourists come. A lot of them use this parking structure and come into our businesses and spend money. Where are they going to park when they come if everyone from Weebly and Yelp and the culinary institute and this new company coming are not able to park at the Galleria because they have to pay for it. So they will park in the parking structures that should be there for the customers and people who frequent these small businesses and keep us going. Where are they going to park? So there was a fight up at the roof top last week of the 3rd Avenue/5th Avenue parking structure. A fight broke out because the guy couldn't turn his car around because everybody kept going up. Finally people having to back up because the guy got out of his car and started yelling at people to back up because he couldn't turn around. It was crazy. So I think that at least making half of that structure three-hour parking, I don't know, would force the people in the Galleria to deal with their landlord and say, look, we need a place to park. I don't know. I don't know what the solution is, but I think at some point, we should try to solve the problem. Thank you.

Mayor Lane: Thank you. And that's the final request to speak on Public Comment. I think it's

worthy of mentioning that a petition has been submitted on this subject and it is something that we will address at the end of the, it's the last item on our agenda tonight. And thank you for that input.

MINUTES

[Time: 00:32:33]

Mayor Lane: Next order of business, I would ask for a motion to approve the Regular Meeting minutes of October 21st, 2014.

Councilman Robbins: So moved.

Councilwoman Klapp: Second.

Mayor Lane: A motion to approve and seconded. We are ready then to vote. All those in favor, please indicate by aye. Those opposed with a nay. Thank you. The motion passes unanimously.

We have one item of change on our agenda this evening and it happens to be Item 18, which is the Indoor Vehicle Leasing Sales or Rental in I-1 and it's a Text Amendment 6-TA-2014. This is a request from the applicant for a continuance, and since this is the second request for a continuance, we will call for a vote on it. Could I have a motion for the offer, or rather the request for a continuance and I think it's to December 1st, is that right? Yes, to December 1st.

Councilman Robbins: I move we continue Item 18 to December 1st.

Councilman Littlefield: Second.

Mayor Lane: A motion has been made and seconded. I see no further comments on this. All those in favor of the motion as indicated please vote aye and nay if you oppose. So that item will be continued until December 1st meeting. Thank you for that vote. And if you happen to be here on that subject, you are certainly free to go. We will not be addressing it this evening.

CONSENT AGENDA

[Time: 00:34:20]

Mayor Lane: Next order of business is our Consent items 1 through 16a. I see we have no cards for requests to speak on those items and there doesn't seem to be any comment from the dais here and then I would accept a motion to accept the Consent items 1 through 16a.

Councilmember Korte: Mayor, I move to accept consent agenda items 1 through 16a.

Councilman Littlefield: Second.

Mayor Lane: A motion has been made and seconded to accept Consent items 1 through 16a. We are then ready to vote. All those in favor please indicate by aye and register your vote with aye or nay if you oppose. It's unanimous then. All the Consent items have been accepted as is in our City Council report. 1 through 16a. So if you are here for any of those items you are certainly free to stay with us and follow the proceedings or you may quit quietly.

REGULAR AGENDA

ITEM 17 – PUBLIC PARKING STRUCTURE AND RESTROOMS LEASE AND OPTION AGREEMENT

[Time: 00:35:45]

Mayor Lane: The next order of business is the Regular Agenda items which are items 17 through 20 now absent 18 which was continued to December 1st. We go to item 17, which is Public Parking Structure and Restrooms Lease and Option Agreement. Mr. Worth.

Public Works Executive Director Dan Worth: Good evening Mayor and Council. This is the item I'm putting in front of you for consideration tonight. The organization of a lease and option agreement with Equity Partners Group, the purpose is to take two parcels that the city owns in the northeast quadrant of the downtown currently being used for parking and create more parking on the two parcels. This graphic shows the location that we are talking about. It's general north and south of 6th Avenue and in between Wells Fargo and Civic Center Plaza. Some background, the city has owned these parcels for over 50 years. They were gifted to the city. They have been used since that time for parking. They were zoned for parking.

There's 105 surface parking spaces on the two parcels and recently in 2012, in an effort to create more parking, recognizing that we have a parking deficiency in the downtown and particularly in this area, the city embarked on an effort to try to leverage these two parcels to do just that, to create more parking. We issued an RFP in 2012, looking for a developer that would be willing to come in and spend private money to add to the parking and that location. We got no responses. In 2013, a project for \$8 million to build structured parking on these parcels was included in the bond package, which, of course, was voted down by the voters. We decided last year to reissue a more streamlined focused RFP, and you can see the three bid items that were in this request for proposals. We required that successful respondent guaranteed to provide at least 150 parking spaces, there are 105 now, and we gave him bid credit for anything above that.

We had an optional public restroom and if the developer was willing to include that in his project, he got bid credit for that and then we asked respondents to identify how much they would be willing to pay to buy the project once the project was complete and we set that at a minimum of \$100,000 option price. We recently received one response to the request for proposals, the one that you are considering tonight with Equity Partners Group. The proposal met all of the requirements. The minimum number of parking spaces we were looking for was 175, 150 rather. The respondent guaranteed 175 and that's public parking spaces.

The respondent has the ability, and I will talk about this in some detail to put other uses on that site potentially, subject to the entitlements process and several other requirements, but if he puts anything else on those parcels, he has to park those uses as well. He has to provide sufficient parking for whatever additional use, in addition to the 175 public parking spaces. They don't count. They are purely public parking spaces.

The respondent agreed to provide public restroom facility and their bid amount for the option was \$100,000. And I will draw your attention to the last item, there is some additional material that was not submitted in response to our request to our proposal, that the respondent provided at the same time, that they provided their response. You got that information. It's part of the Council packet that we published along with this agenda item. It shows a concept that the developer is considering, is putting together for those private improvements that the developer would potentially build as part of a project that includes the 175 public parking spaces, the public restroom. And I just want to make sure that everybody is aware that we did not consider that. That's not part of the proposal. We are not asking you to render a decision on that.

[Time: 00:40:41]

It's going to go through its own process, whatever shape it ends up taking has to go through the entitlement process and has to go through the development review process and actually there's some other real estate transactions that would likely have to happen in order to make it work. Those would all come to you separately. What we are considering tonight is simply whether we will enter into that lease and option agreement that provides 175 public parking spaces and a public rest room. The key elements of the lease and option agreement, there are, there is a timeline with dates specified and a back off from a project completion date, which is 48 months from the day that we approve the lease option agreement. In that time frame, they have to begin construction within 18 months and they have to have the public parking piece open to the public within 36 months from the date of the approval of the agreement. It calls for \$100,000 security deposit which the respondent has paid. It calls for rental payments and then following completion of the project, once it's built, the respondent has the option to exercise the option to buy the property for \$100,000.

I would point out that's not the only consideration the city would be getting for our parcels. We would be getting \$100,000 and a parking structure that we would be paying somewhere in the neighborhood of 4 to \$5 million for it if we built it ourselves. Other key points, the first one, I think is the most important one, the respondent takes the full risk of zoning and other entitlements as I mentioned. Whatever other private improvements the respondent wishes to put on this site, whatever they are, he has to get the appropriate zoning. That's a separate process. You have to get development review approval.

The concept that you saw, that's in the agenda package envisioned something spanning 6th Avenue. That would be another real estate acquisition, air rights over 6th Avenue, and there are other things that depending on what his final private improvements look like, Mayor may not have to come back for consideration and approval. The other thing that I would like to point out, fourth and fifth bullets, there are some very stringent requirements in favor of the city to regulate the use of 175 spaces.

There's requirements. There's language written into the lease agreement that becomes effective upon the exercise of the option, that says that the owner, not only has to prevent his employees from using the 175 public parking spots but requires him to take reasonable efforts from using street parking and other public parking in the immediate vicinity of the garage. So, again, I will close by highlighting the requested action. We have before you the approval of the lease and the option agreement. And I would be happy to entertain any questions.

Mayor Lane: Thank you, Mr. Worth. I appreciate that presentation. We do have a couple of speakers that would like to speak on this subject and we will go from there and I'm sure the Council will have some questions of you. We will start with Tom Frankel would has a donated card from Mr. John Rosenberg. So I will give you four minutes then, please.

[Time: 00:44:34]

Tom Frankel: Tom Frankel, 6760 Montecito, Scottsdale. Mayor Council, Council-elect. You are speaking to a 29-year resident of this area, and could we, somebody with the audio visual put the aerial up that shows the three lots for the Galleria lot? Is there someone with staff that could help me with that? The aerial that Dan Worth used there? Okay. Anyway, when that area was formed, and why I was drawn to it, as well as surprisingly a number of lot owners and a few tenants that I did not organize and I'm even shocked that they are aware of it, was that it allowed property owners or people that wanted a little slice of Scottsdale, a small business, to buy a property in an area where you could have your own small building, the streets and there were four public parking lots, two of them are the ones that are mentioned, that is the subject of this case. One is the Galleria parking lot where the existing Galleria parking lot sits today and a fourth one further to the north.

What the area was designed as, in the subdivision was these lots were put there where you could buy your own lot and build your own building and know that you will have street parking and four community lots for the use of your business. That changed in approximately '89 '90 when the Galleria came along. And the Galleria came along and said, the existing lot, which is the lot where the Galleria parking garage is built, we've got a great idea. We will build the Galleria and we will take this public parking that was designed for those lots in that area, and my opinion is restricted. We defer a little bit with the City Attorney. He says that the deed restrictions or the restrictions are no longer enforceable.

Whether they are or not has nothing to do with it. What they were intended for was for use for the people in that area. Anyway, the Galleria comes along and says we are going to build a parking structure and we have wonderful news. Very similar to the news you just heard from Mr. Worth today, we are going to reserve 100 plus parking spaces for the use of the people in the area. We are going to build additional parking on top of it, and be able to build this mall. Additionally it worked well.

The Galleria didn't have too many tenants and there was ample parking which is the reason why all the people in that area gravitated to it. As the Galleria failed, along came the entertainment district, used some parking. It's a wonderful thing. I'm not against the entertainment district. It has its

flaws but I think it also has pluses. Along comes the w hotel, the W Hotel comes to us and says, good news. We are bringing the W here. It's another wonderful thing and I'm glad it's there but good news, there's ample parking in the area! All of our employees take public transportation and good news, our guests take limos and taxis. So City Council and Mayor at the time eliminated an entire floor of public parking because of the ample parking in this area. Further along, the Galleria sits empty and repurposes itself.

Yelp, McKesson, the new companies that were recently mentioned, wonderful addition to Scottsdale. There's nobody in the room that wouldn't want to see them all here. Unfortunately, the parking that they cannot park their people, and what has turned the Galleria lot, not only the 120 spaces or 100 spaces that were used for public that were supposed to be used and reserved for the people in that area, are now consumed. Not one, they are public, but they get consumed by the building above it, the shopping center above it. In addition, the Galleria has taken their parking supply and restricted it. So a good majority of their employees are asked to park elsewhere, to find public parking and the only public parking in that area is the public parking in that subdivision which was designed for the Ma and the pas and the few tenants here that wanted to own and run a business in Scottsdale.

[Time: 00:49:28]

In addition, the city's parking lot, which they put on 5th Avenue which one of the speakers mentioned today, which was built at a cost of \$5 million or \$6 million and intended to help Marshall Way and Craftsman Court and Main, is now consumed entirely virtually with Galleria people who cannot find a place to park. It's not a question of parking management. The city does a wonderful job of managing the supply. It's not a question of enforcement. It's a question you have one user in this city that is killing the downtown parking supply. And the idea that city staff at this point can say, let's do it again, what a wonderful idea, take the two remaining life bloods of this area.....

Mayor Lane: Excuse me Mr. Frankel. I have given you an additional nearly two minutes but you have to wrap it up.

Tom Frankel: The idea that you are going to take the last remaining life blood of this area, the two parking lots that remain and give us the same program where good news we are going to give it to a private company, which I don't believe you have the right to do and they are going to add 50 or 75 more parking spots, and what I would ask is this: It has not been held in a public forum. This RFP has not been posted. Not one, if the people in that area know that that parking, that parking was going away, and that a private developer intended to do something down the road, not today but they are not doing it as a public service to build for the community, I assure you or for that subdivision, you would have this whole hall full of people upset. Thank you.

Mayor Lane: Thank you, Mr. Frankel. Next, we have to speak on this subject, on 17, of course is Mr. Jason Morris.

[Time: 00:51:34]

Jason Morris: Thank you, Mayor and Councilmembers. I believe we have a presentation. If you will bear with me. We are actually going to make a very brief presentation in light of where we stand is the applicant. I do represent Equity Partners, the successful respondent on this. I also don't want to make this about a response to Mr. Frankel's comments. Suffice it to take, Equity Partners, my client it not agree with his recitation of the facts or the history of the parking situation, nor the accusation about cause and effect. What I would like to address if I can, the actual RFP that's in front of you. The first thing we would like to do is thank staff. Staff put this out in the public domain. It was properly noticed. It was properly posted and as a result, there were several people, several groups who responded to the city, in terms of the information that was available, took the packet, attended the informational meeting and contemplated responding to this. I would point out, however, that as Mr. Worth said during his presentation, this is a piece that has been passed over in terms of RFPs. On not just two occasions. This is the third time. It was part of a 2004 RFP as well.

In every instance, what you have left is where you are today, which is lots accommodating 105 spaces. The reason my client, in this instance, was interested in responding and ultimately responded to the RFP, was because they are an adjacent landowner. As an adjacent landowner, and you can see, though, the two RFP sites, the respondent's property is immediately adjacent to it. Thus, we can actually uniquely take advantage of development rights that aren't available to any other respondent. It's likely why there is no respondent in 2012, and a single successful respondent this year. In order to get parking on this site. In order to adequately ramp this site up for parking, bring people up and down parking ramps, you lose space, just the physics of the site. By including my client's site, they were actually able to have more efficient parking on site, thus less expensive per space parking on site. So they felt comfortable in responding but this was not a home run. This was not a giveaway.

[Time: 00:54:26]

As Mr. Worth pointed out, it's a multimillion dollars proposition in order to create the parking that's required, but they were willing to move forward as a public/private partnership, because in essence, as the Council and Mayor knows, there's three ways to create parking on this site. The city can choose to build a parking structure and you've had that ability, roughly for the last 50 years. But there hasn't been the ability to spend the \$4 to \$5 million for a parking structure at this location. The second concept was to go and put this as part of the bond and as we know, this was placed in the bond package and was denied by the voters. That left an opportunity for a public/private partnership at this location, which because of my client's property adjacent to it, made sense for this respondent and could still effectively result in more parking than is there today.

The concept that was presented without going into too much detail shows retail at the bottom level, parking on both sites, a sky bridge across at the second level, which I will point out on the smaller site to the south, because that site is so small, it can't even accommodate a single ramp up. The only way to get a parking structure on that site it to ramp across from the other side of the street. It is that inefficient for parking. Yet we were able to design a solution that came up with a staff noted 175 public parking spaces for free to this city. It would be designated and kept separate from the rest of the parking on the site. The rest of the parking would also accommodate an office use on that site.

It resulted in the delivery of the 175 spaces, and I will actually go back a space, which is above the requirement at 150. Above what you have today, which is 105, which as we have heard from earlier speakers, isn't enough. We need to maximize parking in this area, but more importantly, because the rest of the use on that site was proposed as office, the remaining 419 spaces would also be available on weekends and off hours leading a total of 594 spaces built on the city's lot and my client's property available to the city merchants and citywide parking. That being said, my client stands here tonight after conversations with staff and understanding the overall situation that the city has to review, and recognizes that we will not stand in the way of other city alternatives. If the city's desire is to build a structure on this site, you know, we will certainly step back and allow the city to do so. If the city's desire is to further discuss what the parking needs and demands are in this area and downtown and look at solutions, we are willing to work with the city.

If at the end of the that process, the city determines that more spaces are actually needed on this site, we would be willing to consider altering that public/private partnership, still including the property that my client owns in order to make this an efficient parking solution, and see how we can accommodate more spaces if that is what the desire of the city is. So we stand before you in an unusual situation, in that typically I'm describing to the payer and the Council why we can't meet all of your standards. Tonight, your staff has come out with an RFP that we not only meet but we exceed, in every one of your standards. But we understand that the city is taking this very slowly, very deliberately and we want to be able to be a part of the solution and not a part of any additional problem. With that, Mayor, Council, we are happy to answer any questions about where we stand and what's next. We look forward to working with your staff further to come to a solution on this site. Thank you.

Mayor Lane: Thank you, Mr. Morris. No further testimony requested of this. So we are open to any comments from the Council and any questions that they may have on this topic. Vice Mayor Phillips?

[Time: 00:59:33]

Vice Mayor Phillips: Well, I'm surprised that we had to sit there and wait for somebody to make a comment. I would kind of like to know what our esteemed City Manager's feelings are about this.

City Manager Fritz Behring: The issues we have for parking that we need to work on in the City of Scottsdale are clear. These were not the same problems we were facing two years ago on parking, but there is control right now. There are issues right now for the types of businesses that are coming into downtown Scottsdale. The number of employees that are coming in and where they are going to be parking their cars. There are several options that we can look at, but I think even if this issue goes forward today, the Council decided to move on this, that does not solve our problem. We are going to have to, and our staff is ready. We just started to talk to some options to bring to the Council next year, January, February, March, and bring some new ideas and some options to fix the parking problems. The intent obviously to put this RFP out now is not an issue to worry about today. We can put this off until the Council can fully discuss it.

Vice Mayor Phillips: Okay. Thank you. I agree with that assessment. You know, we have a new problem here. It's a good problem, and that is we are getting so much small business in downtown, and we have a parking problem. When we talk about, well, the bond went down and we didn't build a parking garage for the bars. That's why because people didn't want to build a parking garage for the bars. We need a parking garage for customers. We need a parking garage for small business and parking garage for tourists and I think we have a lot of options coming up. I think we are about halfway there now. I agree with our City Manager that we don't need to vote in this right now. We can look at other options. Maybe add a few more floors, do something like that. Maybe paid parking at night and tag parking in the afternoon, something. So I think as a Council, we have a lot more to discuss, and I feel like we are kind of rushing this at this point. So my opinion would be to hold off on this until we get more information from staff. Thank you.

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

[Time: 01:02:31]

Councilman Robbins: Mr. Worth, I have a few questions. The structured parking that was in the bond, how many spaces was that?

Dan Worth: That \$8 million project, we didn't have any kind of a conceptual design but at the going estimated rate, that will yield about 300 spaces.

Councilman Robbins: And then how many spaces are in the 5th Avenue garage.

Dan Worth: As I recall, I think it's about 400.

Councilman Robbins: Okay. All right. I agree with the speakers. I have been a property owner. Our family has had an office building in downtown Scottsdale for a long time. And I felt these issues and they are more acute than ever. I think this respondent is doing the best that they can but to add 70 spaces is not going to help the downtown at all. Even our \$8 million structure, somewhere between 300 and 400 spaces will help. It's not going to solve the issue either. We will have to do a lot of little things. Obviously building a structure is a big thing. I think what's needed is a city structure, paid for by the citizens, used by the citizens and employees and customers. So I thank the staff for doing this and for the respondent for responding but I think we should turn this away, and get on the real issue at hand and build 9 parking that's needed on the city asset that we already have and not give that up to a private owner to do with what they will and so I'm actually going to make a motion that the city deny Resolution 9941.

Councilman Littlefield: Second.

Mayor Lane: Motion has been made to deny and it's been seconded by Councilman Littlefield. Would you like to speak toward it?

Councilman Littlefield: No. I have nothing to add.

Mayor Lane: Well, I won't be supporting that motion because I think if anything, this may not be a total answer to this problem, but I do think it's a partial answer and frankly, there's a lot of desperation. We heard it tonight and we have a petition in front of us for some response to another area of downtown, but nevertheless it's on the same issue and it's affected by some of the same component parts. I have think this is a, you do this step by step. I do think that if, in fact, we can find a way to address a building, a structure, a business from actually absorbing all the public parking spaces. You know, if we can find that, whether it's a three-hour limit and it's enforced and there are permits for business owners, there are a number of things we can address. The price sometimes of success, and I think some people mentioned it in their testimony, frankly, we have a very active downtown and it's something we strive for. When we have that situation, it develops problems unto itself. And so it's incumbent upon the City Hall and this Council to develop answers as to how that is best managed.

And by I think turning this away, I think is, it does it an injustice to a set of circumstances, I think that would allow the use of this property in a very productive manner and at the same time provide additional parking spaces other than what's already provided, as long as they are not absorbed by the building owner. It's a building itself, that's properly parked and I think for its occupants and tenants. I think it's a step in the right direction but I do think it probably warrants a little bit more attention to exactly what the problem is and a quantification of it, but I think working with this applicant, I think we can find our way to that. I think there's a responsible response.

[Time: 01:06:38]

I'm inclined and I believe from Mr. Morris' response, I believe the applicant is also has a willingness because it is a, the applicant is a significant property owner in downtown, and is faced with the same situation. Underlying issue here, that really is related and it's been, of course, addressed in a couple of different ways, and that's the parking situation with the Galleria, with greater intensity of tenant and the need for parking, and how it's being allocated and how that building is being parked in view of a major change in its application. It was put into place many years ago, as a retail center, retail parking situations are less intense, certainly on an 8 to 10 hour day, versus a time to shop and then to be removed and replaced by others.

Maybe it's time for us to consider how that's handled and it went from free parking to charged parking on that building. That's something that else that I think the city needs to take a strong look at, as to whether or not there's not some dramatic change in the original development agreement with the change of use. When it was repurposed to office, special office. So I think that the best course of action, and I would, I would offer as an alternative motion, would be to consider this item. I would say at least for a 30-day period of time, to review the parking situation as it's developed, and whether or not this is something that can be worked into being a positive answer, at least a partial positive answer to the situation that's developed but it also gives us an opportunity to look strong and hard at the overall parking situation and our enforcement of our three-hour rule as well, which I think would be a deterrent for employees in any case. So my alternative motion would be to continue this for, and I'm not sure if I need to have a date specific, but I think in fairness, maybe, I don't have to have a

date specific as far as a meeting is concerned. So I would say somewhere in the area of 30 to 60 days.

Clerk Jagger: That's perfect, Mayor. Thank you.

Councilwoman Klapp: I will second that.

Mayor Lane: Would you like to speak towards that?

Councilwoman Klapp: Yeah, I'm afraid even 60 days might not be enough time. I would probably prefer we said 60 to 90 days, because I just think that this is a pretty big subject.

Mayor Lane: So noted.

[Time: 01:09:08]

Councilwoman Klapp: This is a pretty big subject to deal with it and in the essence of, you know, dealing with all the parking situations that we are facing in the downtown area, including on both sides of Scottsdale Road. But I don't want to disregard the fact that this was a proposal that a response from an RFP and the proposal has some merit. I don't want to just disregard that. I think it should be continued until we can take a look at the parking situation and see whether or not this particular proposal will help to solve that situation and have discussions with, as was suggested by the City Manager with the owners so that they can work with the city on finding and helping with solutions and so that that can come back to us for further deliberation. At least we can be better informed in 60 to 90 days than we are today. But I don't think it's, I don't believe that this case should just be totally disregarded without some conversation about the parking and what kind of solution that could be provided by the use of this particular property.

Mayor Lane: Thank you, Councilwoman. Councilwoman Korte?

[Time: 01:10:35]

Councilmember Korte: Thank you, Mayor. The talking about parking in downtown, I think has been a conversation for about 20 years, and it as always been confusing because of providing, a system of in-lieu parking which is phantom spaces and where is the legality or the responsibility of city to those four parking lots as Mr. Frankel brought to our attention on the original intent as being parking lots for our small business owners. But what a switch this conversation or shall we say turnabout of this conversation because it wasn't just 18 months ago we were talking about a lack of parking for night time users. And now we are talking about daytime users and what a great problem to have, because that means that we have got businesses, and we have vibrant businesses and we have a center of commerce that's building in downtown Scottsdale, and downtown Scottsdale is the core to Scottsdale, not only a business level but also for our visitors and tourism industry.

So unfortunately, this case for the respondent has really created the tipping point and I believe we're

finally, as a community, we are finally motivated to have a conversation around parking. And so I support the Mayor's motion to continue this because we do need to have a broader conversation not only around the impact of different users within the area of downtown, and to quantify that. So, you know, the Galleria seems to be the whipping post tonight, but has anyone ever quantified that use? That's what we need to see. We also need to have even a broader conversation around permitting and three-hour parking and maybe we need to have a bigger conversation around some type of fee parking. You know, many of our cities are moving in that direction that this is the 21st century, and how much longer can the taxpayers continue to subsidize parking in areas. So I look forward to that. Thank you.

Mayor Lane: Thank you, Councilwoman. Councilman Littlefield.

[Time: 01:13:35]

Councilman Littlefield: Well, just when I thought I could just shut up and vote, somebody says something to drive me crazy. When I first got elected 12 years ago, parking downtown was an issue. And now we had it solved for a while and the general principle always was that if you were a big consumer the parking, you had to provide that parking. If you were a mom and pop rubber tomahawk shop, the city would provide parking for you, and that's what we did. Well, now we have allowed and without getting into a big, long discussion of the bar district, we have allowed the bar district to grow and we have allowed things to the good out of hand in this area day and night. And so now we have a parking problem and typically we wait until it becomes a crisis and then we have to do something. And the reason I support Councilman Robbins, this is good for one property owner. But I think if you look at Mr. Frankel's testimony, if you distill that down, what you are going to see is that what he's really saying is it's bad for everybody else. No matter how nice this proposal is. If it's good for one, and bad for the rest, we shouldn't be doing it. Does it meet the terms of the RFP? Yes. But I don't think the RFP was drawn the way I would like to see it drawn anyway. I believe that Councilman Robbins is correct. We need to reject it and continuing it, we need a discussion about parking downtown, all over downtown, but this particular proposal is not the answer. And we should vote to deny it.

Mayor Lane: Thank you, Councilman. Councilwoman Milhaven.

Councilwoman Milhaven: I have no comment, Mayor. Thank you.

Mayor Lane: All right. Thank you. Councilwoman Klapp?

[Time: 01:15:38]

Councilwoman Klapp: I would like to add that I believe that the Mayor's proposal makes more sense because it includes the applicant in the conversation and they own a lot of property in the area and I think it's important for us to ask for the property owner that was involved in this particular project to be talking with us about whatever solutions can be provided by all the other properties that they have control over in the area. So I believe that by continuing this we will have a conversation that will be

more productive than if we just disregard the project and say we need to have a parking conversation. We are not including, you know, a pretty big property owner in the area, in that conversation. That doesn't mean that we won't include other smaller property owners as well, but I think it's going to mean that the conversation will have a whole lot more urgency if we continued this particular project rather than rejecting it outright. So I think it makes a lot more sense for us to ask for all parties to come to the table and talk about solutions and they would be a part of the solution to what we're going to do about parking there because it has gotten out of hand for a variety of reasons. Yes, the Galleria has been a problem, but this particular owner didn't own the Galleria when it became a problem. It's just a problem today. I think we need to allow a large conversation on parking and I don't see the apartment in having a continuance of this until we can find out from, and be provided with input as to what solutions might be provided to the city because those solutions may be things we haven't thought of today, that we can consider. It does not mean that 3 or 4 months from now that there's any decision made about this particular project, but it does mean we have allowed this property owner to have a part of the conversation and try to help us find a resolution to some of the situations.

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

[Time: 01:17:44]

Vice Mayor Phillips: Thank you, Mayor. And, you know, if we don't approve this tonight, the applicant is not going to go away. And say we will never work with the city again. What it will do is allow the applicant to come back to the city with more and better ideas. I think if we go along with the Mayor's proposal, the staff will spend the next one month, or two months or three months trying to make the applicant's plan work. That's I didn't won't vote for it.

Mayor Lane: Thank you, Vice Mayor. My final comment on this. The applicant is in a somewhat unique position as Mr. Morris has indicated, as far as the properties adjacent to theirs and I think that has something to do with it, but also they are in partnership, certainly with regard to the Galleria and as Councilwoman Klapp indicated, it is an opportunity to expand the conversation on all of this. And one of the primary reasons that the Galleria, as we noted is a problem, frankly the Galleria has to be managed. Some adjustments need to be made, as far as how that is parked and how we manage the parking in that structure. So I think this conversation can be broadened with the applicant and with this effort here. And I disagree on one hand if we reject the RFP it's done. It essentially needs to be reissued if, in fact, we wanted to use it, but it also is not a decision tonight as to whether it comes to completion. It's just an acceptance of the proposal that's been put on deck. And there's a lot of things that need to be worked out and I think we can work within the confines of that, I think in a positive way.

So with that, we do have the alternative motion to continue it. Now I will say to 60 to 90 days, that would be voted on first. So without further comment seen, I think we are now ready then to vote. Those in favor of the continuance, please indicate by aye and register your vote. The motion does pass then, 4-3, with Councilman Robbins, Councilman Littlefield and Vice Mayor Phillips opposing. So thank you very much for the input. And for all of the input as far as this topic is concerned. Thank

you. That completes item 17. And it takes us past 18, which we decided earlier to continue to December 1st.

ITEM 19 – COMPREHENSIVE FINANCIAL POLICIES AND GOVERNING GUIDANCE

[Time: 01:20:33]

Mayor Lane: And we move on to Item 19, which is our Comprehensive Financial Policies and Governing Guidance. We have our city treasurer Jeff Nichols here to go over that.

City Treasurer Jeff Nichols: Mr. Mayor, members of the Council, thank you for having me here tonight. We begin the budget process, believe it or not for fiscal year '15/16 is kicking off. And with that, we always come forward to you with suggestions or recommendations for adjustments to financial policies, either adjustments or additions of new policies and I would like to walk you through those recommendations tonight.

First, the background. These financial policies were first adopted in '94/'95. They do promote sound financial planning and management of public funds. They help to make fiscal policy and they definitely contribute. I have been on one trip to the bond rating agencies this spring and these policies, every single one of those bond rating agencies and our strong financial positions because of these policies. We have five areas that we have financial policies in. That's operating, capital, debt, and reserve management, and we also have financial policies related to our financial reporting.

The financial policies, the changes or the recommendations that I'm bringing forward, the first one is operating management policy number one, as you can see highlighted this in yellow. The financial health of the city and we just wanted to modify or to clarify the policy to let everyone know it's, the financial health of the city that we are talking about before it was just to ensure long-term financial health, period. And I think everyone knows it's the city. Some people might think it's a division or maybe even a department but it is the whole city that we are concerned about. That was the first recommendation. Operating Management Policy Number 11, all we're saying is that we will develop impact fees on a periodical basis with an engineering assessment. We currently do this, but we were not doing it annually, and we're not required to do it annually. Technically, we are only required to do this once every five years. We do it more often than that. But we just wanted to make sure that we were living up to our policy and take the annual out and say periodically.

Operating Management Policy Number 16, we are excluding the City Court from this because we realized that the City Court is in a position where they cannot write off what is owed to them. That just continues to grow. And so we did not want to include it and be in violation of our own policy. The revenues that we do have control over collections relate more to our utilities, our water, our sewer, our solid waste and we do a very good job of collecting those. So we want to exclude the City Court's collections from this policy.

Operating Management Policy Number 17, is a recommendation. This recommendation relates to the fact that Fritz and I have talked to you about this, the City Manager, showing the community that

we are serious about funding our capital improvements and taking care of our infrastructure. Currently, you know that we have, in no case, less than 25% of construction privilege tax revenues will be allocated to the C.I. P. We are getting information from our financial advisors and people that manage our portfolio. They believe in calendar year 2015. We will start seeing an uptick in interest rates. That's a double edged sword. That means we will pay more for debt when we issue it. That means that we have monies that we are sitting idle and we will be investing and earning more monies from those investments. I would like to cap the amount coming back into the General Fund to fund programs at \$1 million. And when we exceed \$1 million in interest earnings, that it also be swept into the C.I.P. to fund infrastructure investments or reinvestments if you will.

Operating Management Policy Number 22. This was actually brought to me by a member of staff, that had pointed out the fact that we have a very similar policy, as it relates to the General Fund. We would like to carry that policy over for the transportation fund, and as known here, unless otherwise directed by Council, what we would do is that the surplus is not needed to restore either restore contingency if it was used or cover unforeseen shortfalls in the budget and we would sweep those into the transportation fund capital improvement program, similarly, just like we do the General Fund. Our reserve management policy, I want to tweak it, if you will. An excise stabilization reserve will be funded at no less than \$5 million. What this relates to.

Mayor Lane: Mr. Nichols if you could go back one slide, and just for a point of clarification, what did we do with any surpluses to cover unforeseen shortfalls in the budget. With we transfer now. The suggestion is to transfer them into the transportation fund and the capital improvement as we do with the General Fund with the unallocated reserves. What did we do previously?

Jeff Nichols: To the best of my knowledge and I will turn to my left and look at Ms. Doyle, we did not have a policy that directed the use of those funds. So Judy, did we have a past practice?

[Time: 01:27:08]

Budget Director Judy Doyle: Mayor and members of the Council, we have had some surplus, not a whole lot over the last few years. They have just remained in the unreserved fund balance within the fund.

Mayor Lane: So are we now talking about whatever has accumulated in there, if there is an accumulated balance, that it would be swept into the C.I.P., the Transportation C.I.P.?

Jeff Nichols: Mr. Mayor, yes, sir, and there's ongoing discussions between the people that are in charge of directing transportation operations and transportation capital improvement programs as to what should remain in the fund and what should be swept. So we continue to work through that.

Mayor Lane: Okay. Thank you.

Jeff Nichols: You're welcome. Reserve management policy, if you recall recently, I came forward to Council related to some debt issuances that we were doing. And what we are hearing from our bond

counsel is that the I.R.S. frowns upon the one-year reserve related to M.P.C. debt that we used to set aside. What I'm recommending is in the aggregate, we currently have in the neighborhood of 4.5 to \$5 million, about 4.7. We need to get that out of the debt service fund for our financial reporting at the end of the fiscal year. We are going to be taking it into the General Fund and we are going to be calling it an excise tax stabilization reserve. So what it will do is act as a reserve if, in fact, the M.P.C. debt that we sold and the debt service payments that are required on that debt, if our excise taxes decrease to an amount where we can't cover debt service for a mar year, we would reach into the stabilization reserve and we would use some of that to fund the debt service payment. And it aligns or is a partner of this policy, Reserve Management Policy Number 37, which we would then remove from the financial policies.

Mayor Lane: Mr. Nichols and I think we fully understand the old policy and it's been a topic of some discussion obviously when we do debt financing and, of course, the added component of the 1% for the reserve, whether it's financed or whether we put those monies into place to cover that. But from what I understand, we are replacing that 1%.....

[Time: 01:29:38]

Jeff Nichols: Mr. Mayor, it's related to the 1% privilege tax supported debt, however, what we were doing, our policy stated that we had to have an amount no less than the annual debt service for each issuance. And so we were tying that to each issuance that we did, we would have had a fund building up. I really feel that going to, I'm sorry, going to this policy, will give us the same level of protection and without us having to tie a policy to every MPC debt issuance that we do.

Mayor Lane: Well, then my only question, I hear and understand what you are saying. Certainly you don't want to reserve more than you really need for the evaluation of our credit and bond ratings and that, but at the same time, a dollar figure just sometimes becomes dated or out of place and I'm wondering where this stands with regard to the kind of coverage we are looking to have.

Jeff Nichols: Mr. Mayor, I think with the current amount of outstanding debt that we have and we have just gone through what many are calling the great recession and we didn't dip into our reserves to fund any of our debt that this is a level that's adequate to have that coverage. If, in fact, we are not successful at some point in the future, getting the residents of the city to authorize a bond program and we start using this method of financing projects, where we have revenue streams that can service the debt, identified revenue streams per our policy, then we could talk about adjusting the figure upwards if needed. But I do believe the 5 million is adequate.

Mayor Lane: Okay. And that's certainly a vote of confidence coming from you, as far as that's concerned and the fact that we have never used it certainly is a very good indication. So now I will fall back on what do the analysts who will look at our financial condition and what do they tie it to a percentage? Do they go to a fixed dollar amount? Or, you know does this have any impact in that area?

Jeff Nichols: My personal opinion, Mr. Mayor is that the analysts would also have concern about us

having a financial policy that went against GAAP and the I.R.S. for their own reasons frowned upon it, if you will. We had instances that we would sell debt to fund the debt reserve. So we would sell additional debt to fund the reserve and pay interest on that to let it sit there, and in effect become the 20th payment in the 20th year that the, to pay off the debt. I don't think that it's going to be frowned upon. I did speak with our financial advisor. I didn't speak to, you know Moody's or Standard & Poor's or Fitch and our financial advisor thought it was adequate.

Mayor Lane: Okay. Good. A second opinion on that. Thank you.

Jeff Nichols: And Reserve Management Policy Number 41, this relates to our self-insurance reserve. We just wanted to point out and, again, you have this, but we wanted to modify it, to include the lost trust fund board's recommendation of maintaining the reserve fund balance, equivalent to the actuarially determined 85% confidence interval and we also wanted to make sure that we stated in there that the actuarial firm was qualified, not independent. But qualified. So in actuarial terms, it is different. We told them that we would put the target in the policy. They wanted to see it there and they recommended modifying this policy. And with that, staff's recommendation is to adopt Resolution number 9954, the Comprehensive Financial Policies and Governing Guidance, which will serve as the formal guidelines for the City of Scottsdale 2015/16 financial planning and management.

Mayor Lane: Well, thank you very much, Mr. Nichols and we do, it looks like we will have a couple of questions of you. So we'll start with Vice Mayor Phillips.

Vice Mayor Phillips: Thank you, Mayor. Can you go back to policy 17, I think it was?

Jeff Nichols: Certainly.

[Time: 01:34:19]

Vice Mayor Phillips: Yes, can you go over this one more time. I think was fading away while you were talking about this.

Jeff Nichols: I tend to have that effect on people. I apologize. What we're doing is right now, per financial policy, we budget no less than 25% of the construction privileged tax revenues as a transfer to the C.I.P. If you remember at the end of last fiscal year, the beginning of this one, and Judy, please correct me if I'm wrong with the number, we transferred about \$13 million into the C.I.P., well above anything that was required by this policy. My concern is as currently we don't make \$1 million a year on our investments. But I do see in the future when the interest rates start ticking up, and we do make more than that, my concern is that they would go more towards programs instead of one-time projects. My other concern is that I really do believe as Fritz and I have discussed that we need to build trust and confidence in the community that we are doing everything we can from a financial standpoint to address our infrastructure needs. I believe we do a good job. I just don't believe that we actually sell ourselves as much as we should. This would just update that policy, so that in effect when we start making a much better return on our investment portfolio, that any return above \$1 million would be swept over to the C.I.P. to fund the capital improvement or, you know, capital

projects that are needed in future years.

Vice Mayor Phillips: So you are saying last year when we had \$13 million, how much of that, was 25% construction?

Jeff Nichols: Mayor, members of the Council, it was about \$2.5 million.

Vice Mayor Phillips: And you are saying the rest was net interest income?

Jeff Nichols: No, I'm saying during that time, the rest was the gains that we had from where we finished the end of the fiscal year.

[Time: 01:36:46]

Vice Mayor Phillips: Okay. So what are you thinking the net interest is going to be, about \$1 million?

Jeff Nichols: Mr. Mayor, Vice Mayor, I'm not exactly sure what it is. If I could predict the markets, I probably.....

Vice Mayor Phillips: Let's say it was \$2 million and then you are saying we would take \$1 million of that. So what we do now is we do 25% and now you are including 100% of net interest income in excess of 1 million.

Jeff Nichols: That's correct as a minimum.

Vice Mayor Phillips: As a minimum.

Jeff Nichols: My hope is that year over year, we continue to do, we budget conservatively, Vice Mayor and my hope is that year after year, we are always exceeding these policies. I just want people to know that at a minimum this is what we will do.

Vice Mayor Phillips: Okay. And I agree. I think that, I always wanted to see a policy that puts more into the capital projects but it's hard to do that because you don't know how much is coming in. So this is a good start, I guess, as far as that goes but I would like to see more also. So thank you for that.

Jeff Nichols: You're welcome.

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

[Time: 01:37:53]

Councilman Robbins: Thank you, Mayor. Nothing on this specifically. It's about financial policies

in general, since we are talking about that. One of the things we talked about in the last couple of years is to develop some financial policies regarding redevelopment or revitalization districts. So we have policies for CFDs for improvement districts and for redevelopment areas, but we don't have anything specifically for the revitalization, the state created a couple of years ago and we talked about it tangentially a couple of times. So I would like to have us look at that, so I don't know, Mr. City attorney if I can make a motion here or say it until Mayor and Council items at the end but I would like the city staff to come back to the Council with some financial policies relative to revitalization districts that we currently don't have.

City Attorney Washburn: I think it would be appropriate as a Mayor and Council item at the end because it's not really agendized under this item for that.

Councilman Robbins: Okay. That's fine. I just wanted to alert you to that fact and get you thinking about that. And so I will propose that at the end here.

Jeff Nichols: Mr. Mayor, Councilman Robbins, thank you very much.

Councilman Robbins: So with that I can make a motion. I move that the City Council adopt Resolution 9954, relating to the comprehensive financial policies and governing guidance as the formal guidelines for City of Scottsdale fiscal year 2015/16.

Councilmember Korte: Second.

City Attorney Washburn: I heard you say 9554. I think it's 9954.

Councilman Robbins: I apologize.

Mayor Lane: Picky, picky, picky. Thank you, Mr. Washburn. Okay. Does the second want to speak towards that at all? Okay. All right then I think we are ready to vote. All of those in favor of the motion that's been indicated please indicate by aye. Those opposed with a nay. It's unanimous, to help that motion. And for that, Resolution 9954. Thanks again, Mr. Nichols. I appreciate the report. And the work on that.

ITEM 20 – MONTHLY FINANCIAL UPDATE

[Time: 01:40:23]

Mayor Lane: That completes item 19, and we move on to, Mr. Nichols will stay right there. We didn't want to dismiss him because he's up again with the Monthly Financial Update. Mr. Nichols.

City Treasurer Jeff Nichols: Mr. Mayor, the monthly financial update for the fiscal year-to-date, October 2014, the report is still a very good report. As you note, the General Fund operating sources overall, the bottom right-hand corner. We have a positive variance at this point in time of \$4.7 million. I won't speak to the first 1% general purpose sales tax. That's the next slide and you

are all used to that by now. Some things I will talk about, some significant variances that you are seeing there. The first one under miscellaneous revenue, 71%. We had the payment of by SkySong that was negotiated by staff. These were not budgeted items.

Also if you recalled, we did not, we did not budget for the payment. I'm just not sure why the processes crossed. As you were aware, probably, up until that point in time, we had not received any payment from SkySong under the current agreement. I don't know why it didn't get budgeted. I just know it did not. In addition, that was about \$138 million. In addition, with he received payment from the Scottsdale unified school district, when we were talking about the Palomino Library and discussed closing the library. We went ahead and we put all the expenses back in the budget. I neglected to put in the revenue, the Palomino Library payment. It's about \$129,000 that they contribute to the operation of that library.

There some timing differences in there as well. The school resource officer program, about \$241,000. We received these monies, however, they are budgeted in different months. So they are creating a variance. Training recovery from az post for training \$139,000. We had a cell tower agreement that was not budgeted for. No, that the timing difference of about \$80,000 and also about \$73,000 related to outdoor dining agreements that make up the majority of that variance. Under building permits, you notice a variance there of approximately 51% or 1.9 million. We continue to enjoy the favorable variance due to the multifamily and single family permits that are being pulled. We do see the variance decreasing month over month, however, I do think this is a variance that's going to hold out until the end of fiscal year and we'll enjoy it at that point in time, as well. So about \$4.7 million in General Fund operating sources.

[Time: 01:43:27]

When I drill down into the General Fund sales tax amount, you will see the only real significant variance there is under construction, and, again, that's related to the building permits. You see actual \$4.1 million versus the budget year-to-date of \$3.7 million or \$400,000 of the \$500,000 positive variance. When you look at our General Fund sales tax at 1% year-over-year change, you notice the 6% there for the month of October, I would like to add that when we compare fiscal year '14/15 actuals to fiscal '13/14, last fiscal year we have about a 6.7% variance or about \$1.8 million. So we continue to see this revenue source increase steadily over time, which is a very positive thing for us.

Moving to our uses, by category, you see some savings there in salaries. I'm pointing that out, even though it's only 1%, it is \$300,000, just because of the large number. And I do that because in overtime, of \$400,000 negative variance being driven mostly by police and fire, but I would like to point out that in police department, the salaries and wages that \$300,000 positive variance is being driven somewhat by the police department as well.

The police department continues to work on their backlog within their facility for disposal of evidence, they are working through that. It was an audit finding. The fire department continues to have different individuals out for variance leaves. Four people on no work status, three on transitional duty, and of course, because of the constant staffing levels that are needed on a fire truck or in a fire

station, drives up their overtime. Under the contractual commodities and capital outlay, you see a \$200,000 negative variance. That is being driven by the moves that we made this year.

[Time: 01:45:36]

As you know, Fritz sold or is in the process of selling the Human Resources building and the McKnight building. And we had staff in those offices. They had to be moved into other city facilities that were not ready to move those people into. So work had to be accomplished in order to make those functional office spaces. We spent a little bit over, approximately \$300,000 to do that and that is really driving that variance. The other thing that's driving that variance, as you are all aware, we had two storms so far this fiscal year that sent a significant amount of water down the Indian Bend Wash and caused a lot of damage in the parks area and also some of the streets in the area along the wash.

And so staff is responding to that, and they are fixing that damage, and some of that, of course, was not budgeted for. We budget for daily maintenance. We don't budget for storms and damage from the storms. When I look at General Fund operating uses by division, I can talk about any of those variances if you would like. If you notice, though, on the bottom, total operating expenses when you look at it, fiscal year-to-date, actual of \$80.7 million, and budget of \$80.6 million. So technically, there is no variance citywide. There's variance within the department.

I would point out Public Works, again, that \$300,000 that you see relates to the movement of the city staff, and response to some of the damage that was done, and, again, fire and police in various areas within the department. Overall, fiscal year-to-date, \$4.7 million positive variance. I believe the majority of that variance will hold out through the end of the year. My hope is that we do even better than that. And if we do, Mr. Mayor and Vice Mayor Phillips, we can then again talk towards the end of the year about a transfer to the C.I.P. and some of the infrastructure needs of the city, and funding that. But with that, I would be happy to take any questions.

Mayor Lane: Thank you, Mr. Nichols. Very good presentation. And I don't know that the questions as they may have been raised would have come up during the presentation but I have no additional comments for your questions right now thanks again. So that completes our regular agenda items for this evening. We do have no additional public comments at this time. I'm presuming none have come in since.

CITIZEN PETITION

[Time: 01:48:42]

Mayor Lane: And we do have a petition that was submitted to us earlier this evening and may have had occasion to read it. A number of people here in the audience gave testimony and reference to this petition, and I think that it actually ties in rather closely with the subject at matter with regard to parking in downtown and as it relates to some of the issues that have been developed around the repurposing of the Galleria and the parking situation there. I don't know if there's any, well, Vice Mayor Phillips, if you would have a comment on it?

Vice Mayor Phillips: Thank you, Mayor. I want the small business community to know that we, you know, take serious attention to your problem, and we think about all the time and we are working on it. So I would like to make the motion to direct City Manager to investigate the matter and prepare a written response to the Council with a copy to the petitioner.

Councilman Littlefield: Second.

Mayor Lane: Motion has been made and seconded to refer this back to us with a study on it and I would say just in addition, not that this would have revised the motion, but frankly, it's part and parcel to the overall issue as we had discussed earlier. So I think we are then ready to vote. All of those in favor, please indicate by aye. It's unanimous to take that action.

MAYOR AND COUNCIL ITEM

[Time: 01:50:10]

Mayor Lane: Now, I know that there was one other item, and we will consider it under Mayor and Council items and so at this point in time, Councilman, if you would like to address that issue.

Councilman Robbins: Thank you, Mayor. Just to restate as economic development is very important to the City of Scottsdale and the state allowed us to use revitalization districts. They haven't made any headway on that. I wanted to make a motion that the City Council agendize the time in December to talk about revitalization and I'm also going to bring into that any other special taxing districts like the F.D.s or improvement districts or whatnot because we haven't updated those as well. I think there's some tie to those districts. So anything, any financial policies related to revitalization districts or any other special taxing districts that the Council can discuss in December.

Mayor Lane: Okay. Now, is it appropriate for us then to vote on that particular request?

Clerk Jagger: Yes, Your Honor.

Mayor Lane: So I will take that as a motion.

Councilwoman Klapp: Second.

Mayor Lane: A motion has been made and seconded unless there's any further comment on that, then I think we are ready to vote. All of those in favor of the motion as stated, please indicate with aye and register your vote. The motion passes 6-1 with vice Mayor Phillips opposing.

And that, I believe, since we have no other cards, otherwise, completes our business for this evening.

ADJOURNMENT

[Time: 01:51:46]

Mayor Lane: I want to thank everybody for participating and communicating with us at this level, and then with that, I will accept a motion to adjourn. A motion to adjourn and a second. Please indicate by aye. Again, we are adjourned. Thanks very much.