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CALL TO ORDER

[Time: 00:00:02]

Mayor Lane: Good afternoon, everyone. It's nice to have you here. It is our regular meeting of March 3rd, 2015. Approximately 5 p.m., and I will have a call to order so we will start with a roll call, please.

ROLL CALL

[Time: 00:00:16]

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

City Clerk Carolyn Jagger: Vice Mayor Linda Milhaven.

Vice Mayor Milhaven: Here.

City Clerk Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

City Clerk Carolyn Jagger: Virginia Korte.

Councilmember Korte: Here.

City Clerk Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

City Clerk Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

City Clerk Carolyn Jagger: David Smith.

Councilman Smith: Present.

City Clerk Carolyn Jagger: City Manager Fritz Behring.

Fritz Behring: Here.

City Clerk Carolyn Jagger: Deputy City Attorney Sherry Scott.

Deputy City Attorney Sherry Scott: Here.

City Clerk Carolyn Jagger: City Auditor Sharron Walker.

City Auditor Sharron Walker: Here.

City Clerk Carolyn Jagger: And the Clerk is present.

We have cards for public comment. We do also have cards for you to write comments, that's the yellow card that she has for any item on the agenda, we will have an opportunity here on the council dais to read those during the proceedings. We do have Scottsdale Police Officers Cleary and Glenn here in front of me. We do have rest rooms over here under that exit sign over here to my left for your convenience as well.

PLEDGE OF ALLEGIANCE

[Time: 00:01:22]

Mayor Lane: Today, we are honored to have the Girl Scout Brownie Troop 4, and their leaders Holly Boynton and Danielle Davis. So ladies if you would move forward to the microphone, and the rest of us, if you can, please stand for the Pledge of Allegiance. Any time you are ready.

Girl Scout Brownie Troop 4: I pledge allegiance to the flag of United States of America, and to the

public for which it stands, one nation, under God, indivisible with liberty and justice for all.

Mayor Lane: Thank you very much. Go ahead and turn that around and face the audience. If you would, introduce yourself. Tell us where you go to school and what your favorite subject is.

Maxwell O'Hara: My name is Maxwell O'Hara and I'm in second grade and my favorite, at Kiva Elementary School. My favorite subject is gymnastics.

Audrey Boynton: Hi, my name is Audrey Boynton. I go to Kiva Elementary School in second grade, and my favorite subject is math, science, and art.

Sophia Reichel: Hello, my name is Sophia Reichel, I'm in second grade. I go to Archway Veritas and my favorite subject is history.

Chloe Penner: I'm Chloe Penner, I go to Kiva Elementary. My favorite subject is math.

Justine Ong: Hi, my name is Justine Ong. I go to Kiva Elementary School. I'm in second grade and my favorite subject is reading.

Mia Davis: Hi, my name is Mia Davis. I go to Archway Cicero. My grade is second and my favorite subject is art.

Madeline Taley: My name is Madeline Taley. I go to Kiva Elementary School and my favorite subject is art.

Mayor Lane: Thank you very much, ladies. That was very nice and thank you very much for the cookies as well.

INVOCATION

[Time: 00:04:03]

Mayor Lane: For our invocation, I would like to welcome Pastor Ethan Halliday from Camelback Christian Church. Pastor, please.

Pastor Ethan Halliday: Thank you. Would it be appropriate to pray for the San Francisco Giants or are we only limited to the Diamondbacks in this room?

Mayor Lane: Well, actually, the Giants really don't need the prayers as much.

Pastor Ethan Halliday: I don't want to say anything controversial. So thank you. Let us pray.

God, we thank you for these men and women, and we ask that you would guide us, guide these officials here today with wisdom, to strategically think big picture, give them the patience to remain

steadfast, give them the ability to see all sides of an issue. Give them the courage to make unpopular decisions when necessary. Give them the humility to engage in healthy dialogue for the good of this community. God, we pray that you bless the city of Scottsdale and our surrounding communities. Guard her children, guide her leaders and give her peace. Amen.

MAYOR'S REPORT

[Time: 00:05:27]

Mayor Lane: Amen. Thank you, pastor.

Speaking of Giants and maybe a little by way of the World Series as well. Yesterday I met with Mayor Wolcott of the city of Surprise to settle a friendly wager over a 2014 World Series that features the two teams, of course, from the Arizona Cactus League, the Kansas City Royals, whose spring training is in Surprise, and the San Francisco Giants who are right here with us. We know what the outcome of that was, and since Mayor Wolcott, she started this little wager, I was a little surprised that I sort of had to take advantage of the idea because the Giants, they win the World Series every two years and we knew it was the year. So she fell into that trap. But in any case, that's yesterday at a press conference. So we are settling up on that little wager. But it was nice to have a great sport in working with her on that, and, of course, it's always all very good when it comes to the cactus league and our spring training seasons for all of us across the valley.

Spring training is in full swing this weekend. Scottsdale hosts the Baseball City, a fan fest and trade show taking place in the Civic Center Mall. This free event will feature baseball memorabilia, major league ballplayers and hands on activities for fans of all backgrounds. It's from 11:30 a.m. to 6:30 p.m. I hope you all can make it. It's a great exercise.

We have no presentations or information updates at this time.

PUBLIC COMMENT

[Time: 00:07:18]

Mayor Lane: We do have a request for some public comment and public comment is reserved for citizen comments regarding non-agendized items and no official action can be taken by the Council on these items. Speakers are limited to three minutes and we are limited to five speakers and there will be another opportunity at the end of the meeting if it's needed. We do have three requests to speak, and we'll start with Carolyn Ziffrin.

[Time: 00:07:42]

Carolyn Ziffrin: The pitfalls of being short. Good evening, I'm Carolyn Ziffrin, a Silverstone resident living north at North 74th Street, Scottsdale, 85255. My previous petition with 255 signatures supporting the extension for bus number 72 from Thompson Peak to Pinnacle Peak focused on the

city's strategic goals and mission, simply better services for a world-class community. Today, I'm here to expand on this extension and will continue to support our city's goals, as well as support our local businesses all by connecting north Scottsdale to our city. Along with collecting another 70 additional supporters, who wish also for the extension of the bus, I contacted three anchor businesses at each of the potentially impacted malls. At the Pinnacle Peak Mall, I spoke to Dustin Peter Schlagdon and at Basha's I spoke with manager Troy Mead. They both described the difficulties in attracting employees and both specifically mentioned that lack of access to public transportation to our area as the biggest obstacle. This sentiment is also shared by me at Silverstone. Today it employees 216. These figures will increase as it grows beyond the 62% resident occupancy. Access to a wider pool of potential employees becomes critical and I have offered the evidence by the letter to be put in the record. Rather than my giving you this background, I have a letter and that's what you will find in the file about me and these challenges. I'm submitting her letter, highlighting a few of the comments now. We lose one-third of all of our applicants for our job openings. As soon as they learn there is no public transportation to Vi. We offer generous tuition, assistance, benefit, for our culinary program, however, once again, we let the lack of transportation to our location precludes many students from being able to take advantage of it and it's a nice, wonderful tuition payment. I have been motivated and inspired by one young dining server an honorably discharged veteran in the National Guard who walks the last two miles, and then after a full shift on his feet, sprints back to Thompson Peak to catch the bus southbound. He has motivated me. I hope he inspires and motivates you as well. Thank you.

[Time: 00:11:54]

Mayor Lane: Thank you very much Ms. Ziffrin. Next would be Eddie Gall.

Eddie Gall: Hi, Eddie Gall, 5332 East Purdy Lane. I'm a member of the Scottsdale Leadership Class 29 and our class has partnered with the McDowell Sonoran Preserve. We have a ribbon cutting ceremony, which I believe some of you will be attending but we would like everyone to attend and if you are not sure of when the McDowell Preserve is, please come out and join us on March 28th at 9:00. It will be a great event and it's all about the great community that we all live in. So please come. Thank you.

[Time: 00:12:54]

Mayor Lane: Thank you, Mr. Gall. Excuse me. Next will be Nancy Way. And Nancy Way, is she? Okay.

Nancy Way: You get to be 94, it takes a little longer. I live at Silverstone and I moved in there in '10, with a promise of a city bus and I kept on driving anyhow to the worry of my children and other residents. And I should quit driving but there isn't any bus. We really need a bus. I finally gave up the car. I'm bumming rides and all that kind of stuff. We need the bus service. Please extend it. Thank you very much.

Mayor Lane: Thank you, Ms. Wey. That does complete the public comment at this point in time.

MINUTES

[Time: 00:14:52]

Mayor Lane: The next order of business is the approval of minutes and I would ask if I could have a motion to approve the regular meeting minutes of February 3rd, 2015, the work study session minutes of February 10th, 2015.

Councilmember Korte: So moved.

Councilman Phillips: Second.

Mayor Lane: Moved and seconded. No further comment indicated so I think we are ready to vote. All those in favor say aye, nay if you oppose and register your vote. The minutes are approved unanimously.

CONSENT AGENDA – ITEMS 1 THROUGH 22A

[Time: 00:15:26]

Mayor Lane: That moves us on to the next order of business and that's the Consent Items 1 through 22A. We were amended to add Item 22A. Did we have a requirement to vote on that add?

City Clerk Carolyn Jagger: Your Honor, I believe this is a settlement agreement which does not fall under the 10-day rule. So we are just fine on that one.

Mayor Lane: Very good. Thank you. I do have Consent Items 1 through 22A. I have no indicated comments from the dais or testimony from the public. Do I have a motion?

Vice Mayor Milhaven: Mayor, I move we approve Consent Agenda Items 1 through 22A.

Councilwoman Littlefield: Second.

Mayor Lane: The motion has been made and seconded. No further comment indicated. So I think we are ready then to vote. All those in favor please indicate by aye. And nay if you oppose. Okay. The tally is unanimous on the consent items.

REGULAR AGENDA

ITEM 23 – ARTESIA REZONING (2-ZN-2005#2)

Time: 00:16:54]

Mayor Lane: Moving then on to our regular agenda items, which are 23 and 24. And we have Mr. Carr here to present on item 23.

Senior Planner Brad Carr: Yes, thank you, good evening, Mayor, members of the Council. I want to give a brief update to Artesia rezoning. This particular project, as many of you know, but for those who don't, it's located at Indian Bend Road and Scottsdale Road, a little bit north of that. It's a site that has seen some construction in the past, prior to the economic downturn, and it now has some interest for some new developments of the residential portion of that site. As you can see here in the aerial, it's about 17 acres of the entire 44, plus or minus, acres of the entire development.

The applicant is seeking tonight to amend the existing zoning on the site, amend the existing zoning approval, I should say. That existing zoning approval is for the R5 PCD portion of the site which allowed a certain amount of units. They are seeking an amendment to relocate some of those units and add some additional units to that portion of the site as highlighted here. This is a site plan showing that area that's being reconsidered for tonight. That portion of the project that's shown here as buildings two, one, and then these additional five or four buildings here on the southern portion of the site.

The major change from the previous approval would be these portions of the site, with the additional units are being configured more in a condominium configuration rather than a townhome configuration as previously approved. This application was heard at the Planning Commission in January, late January, was continued by the Planning Commission after some citizens voiced some concern with the additional height and density. The applicant has since spoken with those residents about their concerns and has modified their plan to reduce the overall height of some of the units and remove some of the units in this portion of the site to bring those more in line with the original approval as far as the height and the location of those units. That change resulted in a net difference with about 11 units less than was originally proposed. So this current application is proposing 3, I'm sorry, 312 units total for this portion of the site, which would bring it to 673 units and a total density of a little over 17 plus acres for the site.

These are some of the things that the applicant again worked with the surrounding neighborhood to work with them on to lower the height of some of those buildings as you can see on this transition plan. Again this building was at a four-story level at the first Planning Commission hearing, subsequently the Planning Commission as we heard this case at the additional hearing and voted unanimously with the 4-0 vote to recommend approval to city council. That concludes staff's presentation and the applicant is here to give another presentation to you.

Mayor Lane: Thank you very much, Brad. Would the applicant like to speak to it at this point?

[Time: 00:20:15]

John Berry: Mayor, members of the Council, before you start my time, I'm sorry Ms. Way left. I wanted to know what the secret was to living to 94. If it's eating Girl Scout cookies, I want some of those.

Mayor and Council, Mr. Barry. Ten years ago this project was originally approved and then it went through D.R. and there were 93 residential units that were constructed on this site. And then the great recession hit. And the result is we have an unfinished project in that area of Indian Bend and Scottsdale Road. And this evening, we are here to try to remedy some of those negative impacts from a failed project as a result of the great recession.

Just a follow-up a little bit on what staff said, this is a project that is not requesting a zoning category change. We are not asking for a new zoning category here. It's a plan that has 110% more open space than required. They cannot become apartments because there was a deed restriction recorded against the property when the first condominium units were developed and this case reduces the permitted height on this property. This was a case that has unanimous Planning Commission support and it has support from area businesses. The small businesses in the area are supporting this because they are excited about more rooftops, more customers in the area. We have support in the existing residents, those 93 folks who bought in this community, and I'm delighted to tell you that with some new news that last Thursday or Friday, we earned the unanimous support of the McCormick Ranch Property Owners Association for this application.

Now this is a case that responds to the market of today, not the market of 10 years ago, in 2005 when this case was approved. Now, what is the market wanting today, ten years later? Well, what the market study found is that the target market are those of us who are over 55 and they don't want stairs in their units. And the prior plan had a plethora of town house condominium units that were three and four story levels with stairs going up and down. That's not the target market anymore. Additionally, across the street is the only new condominium unit in the area that's priced under \$750,000. And that's called Corriente. It's selling like hot cakes and it will be sold out this year.

Now, what else is today's buyer in 2015 requesting that was different from 2005 when this was first approved? Well, what they want are smaller units. Not only do they want no stairs but they want smaller units. So in 2005, the average size of these units was about 2500 square feet. Today, the average size is about 1750 square feet. It's a 30% reduction in the average size of these units. Again, responding to the marketplace. So what we are essentially doing here is not adding a bunch of new buildings on the site. We are actually reconfiguring the square footage that was approved back ten years ago to reconfigure it for what the market wants today. Stacked units, a layer cake served by elevators with no stairs in them.

Now, how does this request compare with the density for some other projects that are in the area? Well, the Borgata was approved with about 46 units to the acre. The apartments at Lincoln and Scottsdale were approved at 31 units to the acre. And our proposal is at 16.8 units to the acre, a little different than what staff noted because at the end of last week we were working with the neighbors and we eliminated an additional 18 units adjacent to their community. We have eliminated 29 units working with the Traviatta community.

Well, where are we adding these additional units? Let me get you oriented. This is Scottsdale Road. Indian Bend would be down at the bottom. This is the golf course. This is Traviatta down

here. Here are the existing units that have been built. We are adding the additional units, they are slightly smaller along the golf course, as far away from Scottsdale road as possible and as far away from Traviatta as possible.

Why are we doing it? It's good for Scottsdale and the units and for us. Because they will get a golf course view premium. What about heights? Well this is from your staff report. And staff notes the previous approval allowed for 68 feet this one is at 58 feet in height for maximum.

This council has always admonished us and our office likes to take it very seriously to work with the neighbors. And, you know, we try very hard to do that, but what about our neighbors. How did we do with the neighbors? Well, in yellow, it may be a little bit difficult to see. But in yellow is the outline of our case this evening. To the south is Traviatta and the existing units are supportive of what we are doing. The Traviatta folks, I want you to pay attention what we have done, it's a eastern edge. Traviatta down here and then the southern edge with Traviatta down here.

After the southern edge, again, we listed very closely to the Traviatta folks, taking their concerns seriously and in 2005, ten years ago on the southern edge, there were buildings approved at 43 feet in height, 2 and 3 stories. After listening to the Traviatta folks we reduced the height on the southern edge and took out some units and created 2 and 3 story units just like they had back in 2005, ten years ago. Now if you look at the setbacks from Traviatta, we either kept them the same or increased them along that southern edge.

Now, what about that boundary along the south adjacent to the golf course? Well, let's go through that quickly. In 2005, it was 48 feet in height. As staff pointed out, we originally started with a four-story building adjacent to them. After listening to them, we reduced the height to 45 feet. So it's actually lower in height than the 2005 approval. We reduced the number of stories to be three stories just like the 2005 approval and with the setbacks for these buildings, you can know you are substantially greater along that edge than in 2005 from 26 feet to 55 feet, and where it was 40 feet before, we are at 112 feet away from the Traviatta neighbors.

So to summarize where we are with the Traviatta neighbors, we worked with them and listened to them. Is everybody pleased? I don't know until the public comment occurs but we have certainly tried. We have reduced the heights adjacent to Traviatta. We increased the setbacks. We reduced by 29 the units adjacent to Traviatta. We cooperated on the landscape design, both on our site and their site, so that we offer to them, if there are things we can do with landscaping on their property, to help mitigate the perceived impact, we are happy to do that and pay for it. We also have agreed to relocate a trash compactor that was near their boundary.

Irrespective of what the folks from Traviatta are going to say, I want to say thank you for your time and efforts. I get paid for this. You guys don't. I just want to thank you for all of your time and effort in doing that. Thank you.

The result of working with the Traviatta neighbors is and I know staff hates this, so I apologize. We have come up with a stipulation that we would respectfully request that this case is fortunate enough

to move forward with a recommendation for approval that you would add a stipulation, and I have included the map of Traviatta here. This is Traviatta to the south. This is the boundary we are talking about. What the stipulation said is that buildings four, five and six. Building seven is adjacent to the three-story office building right here. But buildings four, five and six shall include both two and three-story unit while each corner unit should be limited to two stories. So we worked with the Traviatta folks to craft that stipulation with that language, and it's my understanding that that's acceptable to them in terms of the language and the impacts.

Mayor, members of the Council, in conclusion this project started out as a casualty of the great recession and we are trying hard, as they say, to make lemonade out of lemons and we have tried to do that. Here's a list of just some of the community benefits and support that we have earned through this project. We have agreed, my client has agreed to make a \$500 per unit contribution for each condo sole, not just the new ones we are proposing tonight, but every condo sold in that development will make a voluntary \$500 contribution to the Scottsdale cultural council, but we will make a \$500 contribution to the arts and that's to be used off site, not on site, so it can be used for the enjoyment of all the citizens in the city. And that's more than \$280,000 contribution.

It has 110% more open space than required. We are reducing the heights. We are removing uncertainty for the folks in Traviatta and the people who live in Artesia today that bought this before the project failed. We are removing that uncertainty regarding what could happen there in the future. We earned the support of the existing Artesia residents that live at the project. The area business support, you will have a petition submitted to you and letters of, I think it's 70 area businesses and petitions I think of 72 businesses in the area. We have earned the unanimous support of McCormick Ranch Property Owners Association and we have unanimous support of your planning commission.

Mayor, members of the council, happy to answer any questions or wait until after public comment. We would certainly request your support of this project.

[Time: 00:31:45]

Mayor Lane: Yes, we do have some requests to speak on this and if you can stand by on this, if there's any response that's necessary. We will start with I believe it's Barney Eteer. Is that right?

Barney Etzel: My name is Barney Etzel and I'm a resident of the Traviatta property, just south of Artesia. My first comment is, according to Mr. Barry, they did work closely with our neighborhood. They have restricted the height and have lowered some of the end units adjacent to our property and pretty much cooperated in trying to appease our concerns and have done a good job. I must give them credit. Our concern throughout this whole process has been density and the traffic situation that we will be faced with there. But I think those can be overcome. They have offered traffic signals, et cetera, et cetera. I do want to voice to you all, ladies and gentlemen, everywhere I go around the city of Scottsdale, high density, prison-looking buildings that I think are taking away and ruining the character of our town. So if I can pass on one thing this evening, and it's not just me, everyone I have talked to is very upset with the density issues and the traffic issues. So please keep

that in mind for future projects. Thank you.

[Time: 00:33:39]

Mayor Lane: Thank you, Mr. Etzel. Next is Prescott Smith.

Prescott Smith: Prescott Smith on East Weldon Avenue in Scottsdale. I would like to read a letter into the record. Dear Mayor and City Councilmembers, I'm writing this letter to urge you to support the proposed amendment to existing approved site plan for Artesia in Scottsdale. This area could certainly benefit from this project finally being completed. As the community grows, it is important for our surroundings to grow with it. This newly proposed plan will result in increased open space and an overall reduction in height. Please vote in approval of this wonderful amendment. This is from Lisa Scott, the owner of the Leopard Spot. We have 70 petition signatures, as well as 69 letters of support from surrounding property owners and business owners, as well as the approval letter from the McCormick ranch property owners association. Thank you.

[Time: 00:34:56]

Mayor Lane: Thank you, Mr. Smith. Next and final would be Brent Hewett.

Brent Hewett: Thank you Mayor and Councilmembers. My name is Brent Hewett. I will keep this brief. I am in support of the project. Thank you.

Mayor Lane: Thank you, Mr. Hewett.

Brent Hewett: How much time do I have left?

Mayor Lane: 2:47, I believe it was. So your rebuttal?

[Time: 00:35:37]

John Berry: Mayor, members of the Council, clearly he's not a lawyer. Mayor, members of Council, no rebuttal, other than just a comment, again, thanking the Traviatta residents and what a different atmosphere this is from two prior Planning Commission meetings and I think it's again a testimony of the fact that the process can work and we have heard the neighbors. We worked with them and have done everything possible to accommodate their concerns and listen to them, but I'm happy to answer any additional questions that you may have.

[Time: 00:37:36]

Mayor Lane: Very good. Thank you, Mr. Barry. We have no further public testimony unless there are questions from the Council here. I think we will start then with Councilman Smith.

Councilman Smith: Thank you Mr. Mayor. The question I guess I want to understand and make

sure I have the right numbers. This is a rezoning, not a rezoning but a development approval change for 17 of the total 39 acres, is that correct?

John Berry: Yes.

Councilman Smith: Is that middle lump, is that the difference that makes up the 39 acres or what is the whole project of 39 acres?

John Berry: Mayor, Councilman Smith, the entire acreage would include all of this area up here, down around like this, up around here and includes all of this and the hole in the doughnut. The original zoning was a much larger area. This area that is not being modified this evening stays exactly the way it was originally approved in 2005.

Councilman Smith: So then, and that's what I thought, so the 17 acres that we are talking about tonight will end up at 18.33, no it's a different number, 16.8 dwelling units per acre or is that for the whole 39-acre complex?

John Berry: Mayor Lane, Councilman Smith, I will ask Michele Hammond of my office. It's for the entire project.

Councilman Smith: Can whoever helped you there can they tell us what was the density? Just talking about the 17 acres, what was the density of the 17 acres in 2005 and what's the density today and therefore what's the increase in density just for the 17 acres?

John Berry: I know the density for the entire project in 2005 was I want to say 12.5 units to the acre, I think is what that was for the entire, I think the staff report has it at 12.5 and we are at 16.8 over the entire project. What the difference is, I don't know. What I can tell you is that these two buildings right here where the parking garages were built and the slab poured were the densest portions of the project at the time.

[Time: 00:37:36]

Councilman Smith: And I think I understood from the staff report, the 12.3, I think the staff report said 12.3 was the density of the entire project in 2005, but I'm asking a different question. What was the, we are theoretically we are only talking about the 17 acres here. What was the density then and the density now for the 17 acres and how has that changed?

John Berry: Councilman Smith, Mayor Lane if you go to page 7 of 12 in your staff report, the staff as usual doing a great job, has answered that question for us and you will see in the matrix it has residential site area on the left, residential dwelling units per acre on the left, it has 2005 approval, this application. So for the 17.02 gross acres, it has an 18.33, which again, as you note, that's gone down with this application, and let's see, Brad is that 12.3 for the 17 acres or the entire?

Senior Planner Brad Carr: Actually, the table breaks it down as the site of the whole. For your

particular question, Councilmember Smith, the answer is the previous site area of this particular application alone was 12.3 dwelling units per acre and currently being proposed at 17.25 so a difference of 4.65. That's the first paragraph on page 6 of the staff report.

Councilman Smith: And that's for the entire,

Senior Planner Brad Carr: No, it's just for that portion of the application. This site the applicant is proposing tonight.

Councilman Smith: Is page 7 wrong?

Senior Planner Brad Carr: Well, 7 references the entire site, not just the specifics of this application.

Councilman Smith: Let me try it again in shorter sentences. Can you tell me what in the original application, what the density of the 17 acres was? And in the original application, what the density of the 39 acres was? And I will write those numbers down. And then if you can tell me those same two numbers today, I think,

Senior Planner Brad Carr: Yes, I know it's a little bit hard to follow there. What it is, the entire site with the previous application was at a total density of 12.6 dwelling units per acre. This particular application, as shown here, the 17 acres was at 12.3 for the entire site. As it's proposed currently, the entire site would be at a total of 17.25 with this particular application at 18.33.

Councilman Smith: So this acreage, the 17 acres has gone from the 12 point something up to 18.3?

Senior Planner Brad Carr: Correct.

[Time: 00:41:54]

Councilman Smith: Okay. Can you talk about how many units that is that used to be on the 17 acres and how many units are now going to be on the same 17 acres.

John Berry: It's a 175 unit increase I believe is the answer.

Councilman Smith: I know the increase. I was trying to get the base number that used to be on these 17 acres.

Senior Planner Brad Carr: I'm sorry, Councilmember Smith, I don't have that in front of me at this particular instant. I don't have that exact number. But if we take just the total number, the 294 that the applicant is now proposing, minus the 175 that will give you that number.

Councilman Smith: That's for the total 39 acres.

Senior Planner Brad Carr: No, just for this application site, just this application, the 17 acres.

Councilman Smith: I'm not trying to get everybody confused with the numbers. What I'm driving to here is the issue that one of the speakers mentioned, and one of our concerns as in any area of the town is the density. I applaud the developer for working with the neighbors and reducing height where necessary and increasing setbacks where necessary and increasing open space, whatever. And I think that's responsive to the neighbors.

My concern will always be that I'm hired to work for 225,000 bosses, all the citizens of Scottsdale and I'm always going to be trying to figure out what does this do for them. And I'm thinking what it does for them is it takes a site which was fairly dense but appropriately within its zoning, and it makes it substantially more dense. I don't know whether it's 40% more dense or 100% more dense or what it is because I can't get a handle on the numbers. But it is substantially more dense, substantially more people living in the same area or substantially more units or whatever the answer is. And I understand why the businesses would support that. It probably promises to bring more detail customers to them. I'm just not sure I'm hearing what the benefit would be for my 225,000 bosses. And that's what I'm trying to -- that's what I'm trying it to sort out.

Maybe you can help me with why would anybody think this was a great idea? Why would any citizen think this is a great idea?

[Time: 00:44:57]

John Berry: Mayor Lane, Councilman Smith, I can't deem to speak for 225,000 people. But I think if we look at this as a series of neighborhoods and a series of areas that people have a tendency not to go great distances many of us from where we live. And we have a tendency if we have to travel some place farther in the city we sometimes say it's geographically undesirable to go. And for Scottsdale it's particularly applicable with the length of the city from north to south.

If you look at this as a neighborhood, this general area as neighborhood. This area as a result of this hole in the ground, this vacant land, this blighted project that was a victim of the recessions. This neighborhood is suffering as much as some of the neighborhoods we pay so much attention to in the southern parts of our city. And in the southern parts of the city when we have large vacant parcels like this that have been blighted or where businesses have moved or businesses have failed, we direct a lot of attention and energy and rhetoric to helping those parts of the city. And we do what we can to ensure that those developments will take root and we do that because we think that quality development is positive rather than having vacant ground out there.

I can't speak for 225,000. I do know that there are 93 current owners living right in here, next to two foundations with underground parking garages, with nothing but dirt around them. That is their neighborhood. That is their view. We have a similar view at the corner of Scottsdale Road and Camelback with a construction fence around it, where a developer dug down a hole and left a pile of dirt there. And dare I say we will do what we can as a city to try to remove these types of vacancies and blights in the city. I think we should.

The market is ready now. The market is ready to bring new residents to Scottsdale who will contribute to the fabric of our community. Who will get involved in the arts who someday may be appointed to commission and run for city council. We will bring part-time residents who spend money here. This neighborhood, this small geographic area has a blighted hole in the doughnut. And this Council can choose to fix it or kick the can down the road. Mayor Lane, Councilman Smith, I have never known you to kick an issue down the road. I think it's time to head straight on, act in support of this neighborhood and this community and listen to those immediate citizens and businesses in this neighborhood that would like to see this changed.

[Time: 00:48:00]

Councilman Smith: I don't know that I have any eloquent comeback. I remain concerned about the density. I remain concerned about what advantage this is for the citizens. It's clear it's an advantage for the businesses. It's an advantage even for the neighbors and it's an advantage for certainly for the developer. And I guess we are to conclude the only way to take care of the blighted area is to grant a 40% increase in density or whatever the number is. And I'm not sure I'm convinced of that, but I appreciate your response. Thank you, Mr. Mayor.

[Time: 00:48:38]

Mayor Lane: Thank you Councilman. Vice Mayor Milhaven.

Vice Mayor Milhaven: Thank you Mayor. I for one think this project is a good idea. And I think most people who respect property rights would agree that this is a good idea. And for folks who are concerned about development in our community, the massing of these buildings is no more and probably a little less than a massing that's currently approved. So from an aesthetics perspective, this project would be no more eye pollution for those who are concerned about density than what's already approved.

The impact that I see here is on traffic. And if I recall, there was a resort on this property before it was leveled for this development that was approved. And one of the things I learned a little bit about sitting in this seat is traffic impacts of development and what I have learned is that the resort would have generated far more traffic than this residential development would. So even though the increase in the units is going to create more traffic, it's not nearly as much traffic as the resort would have created. So that tells me the roads were built to accommodate that traffic and, well, I think we would all rather see less traffic than more traffic, the few hundred trips a year that this increased number of units will create, we can clearly support that with the roads. And I think it will be, I don't think you will be able to tell the difference along Scottsdale Road.

Interesting though, too, I would like to point out to my colleague that the neighbors and the business owners in the area are also citizens. And so when we ask how are citizens benefited, the neighbors in the surrounding area certainly are citizens as well.

[Time: 00:50:23]

Vice Mayor Milhaven: So I for one think that this project is a good idea and so therefore, I would like to make a motion to adopt Ordinance 4187, approving a zoning district map amendment to amend a previously approved development plan including a site plan development standards and stipulations for a 17 plus or minus acre portion of the multifamily residential planned community R-5 pc zoned to a zoned site to allow for reallocation and building height and increased density, and two, amend the site plan for the neighborhood commercial manned community Cc1, PC portion of the site. Do you need me to keep reading and adopt Resolution 9989 declaring Artesia development plan as a public record and to include the stipulation on the Elmo.

Councilwoman Klapp: Second.

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

Councilwoman Klapp: Yes.

John Berry: Mayor Lane, I very much apologize but before the maker and the second, there would require one change to stipulate number four on the table, the maximum number of units and, again, I know far be it for a lawyer to want to follow through with their commitments that we made to our neighbors but we want to do that as always and the maximum number of units would go from the 673 to 655 in recognition of the reduction we made to Traviatta neighbors. I'm sorry to interrupt. I very much apologize.

Mayor Lane: So you need to have that stipulation added to the motion?

Vice Mayor Milhaven: Yes, agreed.

Mayor Lane: Understood?

Deputy City Attorney Sherry Scott: I'm sorry, and I believe it would also be proposed number of units that would change also to 655 which would be another amendment to that stipulation number 4. Because the applicant is proposing that and I would like that to be captured in the amendment as well.

Mayor Lane: Very well then. Is that understood as to how that is added to that language.

Vice Mayor Milhaven: Yes

Councilwoman Klapp: Mm-hmm.

Mayor Lane: Is that all right? And the second agrees?

Councilwoman Klapp: Yes.

Mayor Lane: Thank you for the interruption. In any case, we want to make sure that we get that

kind of thing straight. So thank you. Yes?

[Time: 00:52:54]

Councilwoman Klapp: Just some brief comments that the citizens of Scottsdale are the market and these are being built based on market need. So I would believe that the neighbors and the citizens of Scottsdale would not want the builder to put in units that are not saleable. And if they put in large, 2500 square foot units they may not be saleable. We have to depend on market information. It is incumbent upon us as Councilmen to listen to the market information and to pay attention to what's selling in Scottsdale. And from the conversations I have had, smaller units are more saleable today than they were 10 years ago. So I believe that this project does respond to the market, which is good for all the citizens of Scottsdale. They are moving in some cases, I think Vi is a good example of people who are moving into smaller units. Sometimes they are getting older. Sometimes they just want to have a housing unit that is more manageable and kind of what we call lock and leave. So we have seen a lot of that occurring today in Scottsdale, where people are selling their larger homes and moving into condos that are further into the center of the city, that are smaller in space, but very manageable for them and much closer to restaurants and other amenities in the middle of the city.

So I believe this is a project that's responsive to the needs of the citizens of Scottsdale, that's why I would vote for it. And I think as was mentioned, the cooperation that took place between the developer and the neighbors. You know, it's very important to you that something is built, that's sustainable, that's going to have people living in them and they are not going to be empty, and that they will contribute to the tax base in Scottsdale. Thank you.

[Time: 00:54:40]

Mayor Lane: Thank you Councilwoman. Councilwoman Littlefield.

Councilwoman Littlefield: Thank you. Thank you Mr. Barry, I just had a couple of questions for you. The centerpiece where the underground parking currently is, is that going to stay as it is, or what are the plans for that area.

John Berry: Mayor, Councilwoman Littlefield, excuse me, since this area is not part of the application, it will be built exactly as it was planned back in 2005. And the reason that they are not asking to change that is because that was one of those buildings that's the layer cake, that doesn't have the stairs in it, and is elevator served from an underground parking garage, just as these other units will be served similarly with elevators. So these respond to the market of today. And in terms of the market, I think it's interesting to note that the -- because it goes to why that building is not being included in the application.

In Artesia itself, those 93 units in 2014, this is from the M.L.S., in terms of resale activities. In all of last year, there are three story units that have those stairs we talked about that this 2005 approval was replete with. There were four units that are currently listed for resale that have the stairs that are three stories tall. They are an average of 3100 square feet in height. They were no resales of those

units last year at all and this is on site. And the days on the market of those four that are currently listed are 140 and 272 days and they are still not sold. Now those layer cake units, there are some of those that are built too on the site. So we have a Petri dish, an example right there that we can take a look at. Those units have no stairs and are an average of 1,440 square feet. There were six resales of those units, which is our target market, those older folks -- we older folks. There are no units currently on the market. The average days on market last year to sell those six units, 45 days. And those people moving in, many of them are people from north Scottsdale who are moving into the central city because they want to downsize from their large home, their north Scottsdale large home.

[Time: 00:57:12]

Councilwoman Littlefield: Okay. One other question about traffic. Increasing the number of units in this area will increase the traffic that comes out on Indian bend and Scottsdale Road both of which are already busy streets. Are there any plans to address that issue for both Artesia and Traviatta?

John Berry: Yes, your transportation staff requires of all applicants that they submit an independent traffic analysis, stamped by a traffic engineer, your traffic engineers review that. There are many times more than one review. We have to make changes to it. Everybody has to understand it. Your staff is very, very diligent in examining those. They have a lot of experience examining those. Your current transportation manager has been around a long time and he's very familiar with Scottsdale and staff is as well. They have analyzed this and you can see in the staff report, the section about traffic. They say the intersections in the area have the capacity to handle the additional density.

They also say it's likely with or without this increase in density there will be a need for traffic signal at Scottsdale Road and Hummingbird. That traffic signal at Hummingbird and Scottsdale Road addresses the traffic issues for those in Traviatta or in this Artesia project to be able to safely get in and out of the project off of Scottsdale Road. Additionally, the Traviatta folks have access to Indian Bend Road, not just Scottsdale Road. They have access to the south out of their development to Indian Bend Road so they can access the signal at Indian Bend Road as well. I hope that answers your question. Thank you.

Councilwoman Littlefield: Thank you.

[Time: 00:58:56]

Mayor Lane: Thank you Councilwoman. Councilman Phillips.

Councilman Phillips: Thank you Mayor. So along that line, do you have the map that shows the Indian Bend and Scottsdale Road? It's like one of your first ones.

John Berry: Was it this one, Councilman Phillips or a different one?

Councilman Phillips: That will probably work. The traffic light at Indian Bend, is it between the two

strip malls down at the bottom?

John Berry: Let me see if I can find the --

Councilman Phillips: I don't remember a traffic light being there. That's why I'm asking.

John Berry: Let me see if I can get you the -- here's Scottsdale Road. Here's Indian Bend. This is Traviatta. Traviatta has a gate here and access out to Indian Bend Road. So they can make a right-hand side and use this signal here. They can make a left turn and go east. They also have access to the existing signal at the entrance to the hotel here. So this is an existing signal and then it's very likely there will be a requirement for a signal up here at the main site driveway in Hummingbird on Scottsdale Road.

Councilman Phillips: It seems like and I could be mistaken that there are already two traffic lights just north of Indian Bend one. Maybe I just keep stopping a lot for some reason.

John Berry: Hopefully it's not because you are stopping to text, Councilman Phillips. This' own one entrance here to civil and the shopping center. The other one is farther north on McCormick parkway.

Councilman Phillips: And it's not on Indian Bend?

John Berry: No, sir.

[Time: 01:01:12]

Councilman Phillips: I don't know what the traffic studies were. I would rather see it on Indian Bend because Scottsdale Road is already a mess right there and adding another traffic signal, I think will make more problems to that. Hopefully the people that are living there I think they will be thinking I can get out easier on Indian Bend than I can on Scottsdale Road. So that might be the case in the future anyway.

I wanted to make a point of you said earlier, you know, there's increased density, which make smaller condos and by doing, that you increase the density. I can understand that, especially with this market. And I remember this project before, and I was kind of sad to see it flounder and sit there and see what happens like the one you mentioned on a certain corner on camelback. I was glad to see that this project came forward and that something will finally be done and I'm hoping it will be done and not just talked about and then would years later, it will never happen. So I approve this project. We had it before. It's brought back, and, you know, councilmember Milhaven said, you know, the old resort is going to bring more traffic than these will.

The other thing is these are half a million dollars condos. So, you know, I think the people that will be there will be responsible tenants and homeowners. And where they are going to be coming and going, they will know where they are coming and going. It's not going to be like visitors who pull out

and not sure where they are going, which creates more of a traffic problem. So I really don't see any problem with this Artesia rezoning at all. So I will be supporting it.

[Time: 01:02:38]

Mayor Lane: Thank you Councilman. Councilmember Korte.

Councilmember Korte: Thank you Mayor. Well, it's been ten years and certainly we can say there's been a lot of changes. And the market continues to change and I believe we as a city and a city council must respond to that changing market. And we have a responsibility to make the decisions that continue to sustain the economic health of our city. I support this project and while it is an increase in the number of residents within this is project, it's not an increase in building mass. In fact, it's a decrease. It increases our open space and decreases height. I think to fill this hole that has been this for ten years, is a benefit to our 227,000 residents and very appropriate. So I will be supporting this. Thank you.

[Time: 01:03:39]

Mayor Lane: Thank you Councilmember. I too will be supporting this project and I will say that there's a long history, obviously ten years at least and when we think about the resort that was there, there may have been a period of time when that resort was to the doing that well and we may have gotten accustomed to a lesser level of things but when you think about a resort and the number of units within a resort, albeit, they are temporary residents, there's a great deal more activity going on. It's just a matter of simple fact.

As far as the evolution of the market and our responsiveness to that for property owners and for our city, it's important that we look toward things that are going to work and that meet the market demand. So it's an important aspect for what we decide here as well. Notwithstanding the fact that we do share some of the concerns that have been expressed here today and it's one of the jobs that we have as a city, and that is to manage our growth as it is, and to meet market conditions and to make sure that we are prospering as best we possibly can. Well, that we are prospering, and that we have managed whatever comes along with that -- that growth. So I'm in support of it.

I think that it's -- I think it's a great move forward, really, for a piece of land that technically I suppose has been blighted for quite some time. And really is a bit of an eye sore. We like to look for those folks where somebody is looking to invest in a property like this. It's a valuable piece of property, but its time has come and frankly, the use, the desired use had to meet the market. So with that, I don't believe we have any further comments from here on the dais and also cards.

[Time: 01:05:19]

Mayor Lane: So we are ready to vote. All those in favor of the motion as it was -- well, I should the ordinance and the resolution as was presented and amended, please indicate by aye. The tally is unanimous, 7-0.

John Berry: Thank you. Can I just bottle this moment? Thank you.

ITEM 24 – MISCELLANEOUS ITEMS FOR PROPOSED FISCAL YAR 2015/16 OPERATING BUDGET

[Time: 01:05:55]

Mayor Lane: Our next order of business is miscellaneous items for proposed fiscal year 2015/16 operating budget and we have presentation, discussion and possible directions to staff on inclusion of the following items in the proposed fiscal year 2015/16 operating budget. We start with the National League of Cities membership and we have Brad Lundahl for us.

NATIONAL LEAGUE OF CITIES MEMBERSHIP

[Time: 01:06:20]

Government Relations Director Brad Lundahl: Good evening Mayor, members of Council. I'm here tonight to discuss at least one of the items, the miscellaneous items for your review and input on whether you want to include these items in the 2015/16 operating budget. So I'll get right into it, and start in on the National League of Cities. As most of you know N.L.C., National League of Cities is a national organization that Scottsdale is currently a member of that represents all 1600 cities and towns across the country. Membership dues are paid each year, and the privileges are extended to the elected officials and staff members in each of the cities who are members.

It's important to point out that nonmembers can still attend the N.L.C. conferences and different events around the country, but they cannot be a member of the policy committees which are the ones that develop the policy and is voted on as the N.L.C. each year. As I mentioned, they do advocate on behalf of all cities, they develop grass roots campaigns, and they provide a focus point for councilmembers and mayors across the country to get together and develop ideas on municipal issues. As you can see, the annual dues have remained fairly static over the last several years and the dues would remain the same going into next year.

And so the question before you is, does the city council want to remain a member of the National League of Cities and have this included in the budget for this upcoming year? With that, Mayor and members of Council, I would be happy to answer any questions.

[Time: 01:08:25]

Mayor Lane: Thank you, Brad. I appreciate that. We will undoubtedly have additional questions but we'll start with Councilmember Korte.

Councilmember Korte: Just to start, a simple question. If you go back to the annual dues slide, it shows that this fiscal year, it's increased by \$3,500. Right?

Government Relations Director Brad Lundahl: Mayor and Councilmember Korte, yes, you are correct.

Councilmember Korte: Yes. >> In the past it had remained fairly static.

[Time: 01:08:54]

Mayor Lane: Thank you Councilmember. Then we would go then to the Vice Mayor Milhaven.

Vice Mayor Milhaven: I move we include this in the budget going forward.

Councilwoman Klapp: Second.

[Time: 01:09:19]

Mayor Lane: Okay. A motion and a second. Would the second like to speak toward it?

I would just make a comment on this. This is before we take the vote and I'm concerned about the usefulness sometimes of the N.L.C., and when we have the opportunity to -- because it doesn't just involve the \$15 or \$16,000. It requires a great deal more of a commitment if, in fact, you are going to participate on any level and that can amount to tens if not scores of thousands of dollars. But in any case through the years, it's just been an interest as to whether or not, what policies come out of the N.L.C. that directly impact us on a local level and I found that they have been somewhat shallow in that regard. So it's not an organization, I think that we have an absolute need to being a member in, and since we can certainly still engage in those seminars and symposiums and activities for the very most part that are best practices type of exchange of activities, I think we can do that individually as we choose to.

But notwithstanding that, in the past, there's the majority of council has continued to vote for this program, but I would say that if they, in fact, vote for it, they should utilize it. And maybe that would encourage more costs for the city, but if it's going to be used, then maybe it's worth it, and frankly, on a committee level, as well as a policy making level, that's another issue all together. I won't be voting for it, but nevertheless, I think there's probably a temperament to go ahead and pass -- to accept it.
Councilmember Korte.

[Time: 01:11:02]

Councilmember Korte: Mr. Lundahl, just to confirm, if nonmembers are allowed to attend the two conferences each year.

Government Relations Director Brad Lundahl: That's correct.

Councilmember Korte: Are nonmembers allowed to participate on committees?

Government Relations Director Brad Lundahl: Mayor and Councilmember Korte, no, they are not

allowed to participate on those committees. Only the members are allowed to do that.

Councilmember Korte: Well, my short time on the Council, I have enjoyed the conferences both in D.C., and the last one we went to, I believe, was in Austin. Good breakout sessions, good learning experiences. I question also, I'm with the mayor on this, do we need to spend the \$16,000 to participate in conferences if we don't have to? So thank you.

Government Relations Director Brad Lundahl: And Mayor, Councilmember Korte, let me clarify at the conferences anybody can sit in on those committee hearings but you cannot vote or participate in the discussion. Basically, you sit at the back of the room and observe.

[01:12:30]

Mayor Lane: Thank you Councilmember. Councilwoman Klapp.

Councilwoman Klapp: I also served on a committee ever since I have been in this seat and I believe that the experience is a good one. I believe I have learned from it. It's good to meet people that have similar problems and experiences in other cities and discuss those issues with them. I would not like to see us not be a member and have to go to convention and sit in the back of the room and not participate. I don't see any sense in that.

I think the committee that I belong to, which is the finance, administration, intergovernmental relations committee, is a very good one. Lots of good discussion on financial issues that has helped me learn and grow in this job. So I would agree with the Mayor, if we are going to continue with the National League of Cities' participation that more people should be involved in it, but I certainly would not like to see us not be a member. I think that we get enough benefit out of it to pay the \$15,000, \$16,000, whatever it is, what the cost is. And some of the, as Councilmember Korte mentioned too, some of the breakout sessions are good ones. You learn new things. I'm just a believer in continuous learning and growing and this is a good way to do that.

I don't always agree with some of the policies that come out of the N.L.C. I mean, it's a political organization. Let's face it. But, you know, that changes with the changes in Washington politics. So, you know, there's a time when we may agree with what's coming out of the larger leadership of N.L.C. and there are sometimes we don't. But I still think it's a valuable organization. I think we should continue as a member. I would like to continue to serve on the committee that I serve on because I think it's valuable.

[Time: 01:14:24]

Mayor Lane: Thank you Councilwoman. Councilman Phillips.

Councilman Phillips: Thank you Mayor. Well, you know what? I have to agree with the Mayor, that if we are going to continue with it, especially when they raise their costs \$3,500, that we should be part of it. And I'm new on the Council also and I have attended the meetings but I haven't gotten

on any of the committees and I don't know what the league of cities is doing for Scottsdale so much. I have seen what they have not done for a lot of the cities and a lot of people have said, why isn't the league supporting certain items. So I'm going to look at this like we have looked at some other things and say, I will go ahead with it this time. If I can't get involved and be part of a process that helps the city of Scottsdale and that's the reason we are doing this is for the city, not for our own personal benefit. Then next year when it comes around, I won't be voting for it.

[Time: 01:15:25]

Mayor Lane: Thank you Councilman. There's no further comment on this item. Certainly no public testimony on it, we are ready for the motion to accept the motion as it is or to deny. All those in favor, please indicate by aye and register your vote. Those with a nay, please indicate and register your vote. Nay. Alright the motion does pass 4-3, with Councilwoman Littlefield, myself and Councilmember Korte opposing. Thank you very much, Brad, on that one. I think you are, oh no I'm sorry. You are displaced. Thank you. We'll have Danielle Casey, our economic development director here to talk with us.

GREATER PHOENIX ECONOMIC COUNCIL

[Time: 01:16:18]

Economic Development Director Danielle Casey: Good evening, Mr. Mayor and members of the Council. I will take this down a little bit. Let's see, I have just a couple more slides than Brad did. But I'm going to run you through those quickly here in just the second one. I wanted to let you know once we have those we do have present with us Mr. Chris Camacho who was recently appointed the permanent C.E.O. of the Greater Phoenix Economic Council and he's here to maybe make a few quick comments, say hello and answer any questions.

Mayor Lane: Very good. Thank you.

Economic Development Director Danielle Casey: I'm waiting on those to come back up. I can go ahead and start chatting now. Yeah.

Mayor Lane: As long as it's relevant.

Economic Development Director Danielle Casey: There we go. Excellent! So the Greater Phoenix Economic Council for anybody who is not familiar, it is a public/private partnership. GPEC has been around since 1990. Scottsdale was part of the group of founding communities that started with GPEC back then. It includes Maricopa County, 22 other municipal communities and 160 private sector investors at least at last publication on their website. So I'm sure that changes and increases all the time. But they work to promote the region to market the greater Phoenix area, and to encourage strategic economic growth. They have a very big and strong research department as part of their 26-member team. And so we lean on them, really as ancillary staff to help us with a lot of the programs and activities that we work on in our Scottsdale economic development team.

So a little bit about the benefits. I think it's important also and GPEC points this out every year, that 60% of GPEC's funding is private sector and 40% is public sector, if you are curious. From the private sector it's important to engage with business leaders on their issues and help to lower the cost to tax pays and get acumen and the business input from the communicate and on the public sector community. Of course the communities are the ones that are leading and the elected officials are driving decisions and also all the infrastructure investments and land use planning and vision for their individual communities. So since 1989, I just thought this was a fun fact I pulled off their website. 570 companies ended up locating in the region and 100,000 jobs. So they have been busy.

I wanted to share with you in like fashion with information on the League, the funding model for GPEC and this would be the '15/16 request for the fiscal year. All the member communities in GPEC participate at the same per capita rate. So everyone is paying the same amount per head in their population, in their community. So it's a very fair model. They used population estimates produced by the Arizona Department of Administration, Office of Employment and population statistics and the private membership rates can really range vastly. It depends on the level of engagement and the level of access that they are getting, not only to the communities but also on the level of participation in different groups and events and activities that those private sector businesses received.

So I just kind of went back into old council reports. I wasn't here for a lot of these, but you can kind of see the rates. The reason these rates were different is there were some reductions when the recession hit. So GPEC actually responded with its communities and lowered the rates and then if you look in '11/12, they did an additional 15% hardship reduction because they knew all the communities were having challenges with the finances. And now we are back up to what would be the traditional request for the per capita rate we had historically in years past. This is consistent among all the communities in terms of that ask.

So we have worked a little bit on the results we have seen from GPEC. Since 2010, GPEC and Scottsdale have partnered on 13 different locate projects with a total of 1747 new jobs and actually four of those were in 2014. So I'm excited about that.

A little bit of the information. There's quite a bit we could go on and on about the different opportunities and involvement with GPEC because they do have different councils and groups that you can engage in, but we're actually very well plugged into GPEC. So the GPEC board of directors we have the opportunity to appoint individuals to their board of directors and we do have a representative, Curtis Reed who is the market manager with Chase Bank and he's on the executive committee with GPEC representing Scottsdale. Brad Park is with B.B.A. Compass Bank and sits on the board at large. We have been asked and these are really -- it's not one of those where just anybody can jump in. You really do need to have a stake and a level of involvement to be part of these councils because you need a manageable group. So it's kind of an honor to be included in the healthcare leadership council. So I have been sitting on that group for about the past six months and providing input there, trying to help advance our bio life sciences sector and also give back to the region. The international leadership council invited Mayor Lane to sit on that group and provide input and help them with their discussions. We also have an economic development directors team

in the region and this is a representative of every economic development department with every member community. And currently, by election of peers, the other economic development directors, I'm currently serving as the vice chair, which would put me in the seat as the chair next year. So leading that group in partnership with GPEC in our regional economic discussions from that perspective.

So a couple of the new services offered from GPEC that they have given to us in '14/15, they have a community partnership program. Chris can speak more to that, but this is really responding to communities and asking us, what do you need in terms of education, outreach, community activities and they are offering to respond and come help us put programming and discussions together and speak to our representatives at basically in any manner that we think is going to help us to advance the economic strategy that we have put forth. They are offering new research tools and resources. There's always a new data set and there's always a new tool out there. So GPEC is a really nice way to be a central hub and provide economies of scale for us so that way we can access some of that data.

We have more market intelligence program visits. GPEC has been working with communities in specific the big target industry sectors, different companies around the region and they are collecting that information and that input, and providing some really good market intelligence reports that helps us understand those industries better. And it's something that as many companies as we visit in Scottsdale if we are understanding the intelligence of aerospace and defense or if we are looking at technology companies to understand the input of all of those in the region in a collective summary is actually extremely helpful so we can see trends. They are expanding foreign investment and trade activity engagement, targeting very heavily in California and Chicago. So they are out there all the time. Obviously we don't have the budget, the time or the interest to be out there. We are focused on the community here locally. We go with them every once in a while, but they are really hitting those markets hard. And then road show recruitment events and other programs. Those are just things that they are doing now that they weren't delivering in the past. It's a little bit above and beyond.

So, again, tonight, the same question of action, discussion and consideration, and vote on whether to include the annual membership with GPEC in the proposed budget for '15/16. And with that, I would take any questions or if you would like to hear from Mr. Camacho. I would like to invite him up at the Council's pleasure to say hello.

[Time: 01:24:07]

Mayor Lane: We may have some questions but I would love to hear from Mr. Camacho if he would.

Chris Camacho: Thank you, Danielle. Good evening Mayor and Councilmembers. It's a pleasure to be here. While I'm new to this role as of about 60 days ago, I spend seven years as the executive vice president for GPEC. I think it validates the fact that means I need to hire Danielle to do my overall introduction and pitch on the organization. I think she did a great job covering what we do. So the main premise of GPEC is really to align the strategies of a number of different communities in this case 22 market strategies into one economic plan, with a goal of diversifying our economic base.

And how we do that is encouraging new business development which drives job outcomes for this market, which are high wage industries which drive the per capita wealth and the per capita income to the marketplace.

And so the main idea is that, you know, we are collectively, you know aligning the attributes of each of these respective markets, targeting certain industry sectors and then executing a business development and marketing communications plan to drive new jobs to the region. So when companies are evaluating a market, say from California, where we spend a lot of our time, 25% of our companies come from the California market. Your downtown core has been on the back end of the success. We are constantly creating value propositions by industry. So our supreme competency is doing business analysis, market research to ensure our communities have the ability to compete with other markets, other regions, across the nation, across the world. Because markets compete as regions, they don't compete as cities. And when a company in California says I want to expand to Phoenix, that could mean Scottsdale, it could mean Avondale or Buckeye. We collectively create market strategies tied to each vertical or each industry and we find those markets that have high concentrations of talent, of companies are generally in higher cost positions or higher tax positions than our market bears and companies that we want to attract. We go out execute this aggressive business development plan and the city of Scottsdale, for example, over the last five years, gets \$37 in return for every dollar they invest in GPEC.

So it's a pretty self-sustaining model where we are out on the front end, supporting our communities. We are an extension to Danielle's staff on the research front. Ad I would like to say that, you know, I think we have got a great, and this is the only community I can say this in that I'm a resident of Scottsdale. I can't say that of the other 21 communities. You are building a very vibrant marketplace here, both around the airpark and certainly in the central core. And some of the work that Danielle alluded to next that I am really going to emphasize because we already have a national reputation on the recruitment side. I think on the branding an marketing side which the Mayor attended a meeting this morning on healthcare, we have such a great opportunity to brand the care corridor to brand the bio medical assets around the region and communicate those attributes to markets where they are in a less than practical regulatory environment. They are in a higher cost position and you have labor that's interested in moving to fill jobs in this market. We have another talent attraction play that we are looking as well to bolt on to our industry strategies because we think this is a great environment obviously to recruit companies and people.

With that, the last thing I will mention tonight with just a brief introduction is that the other shift that I see for GPEC is, you know, I want to ensure that we have great connectivity to our cities. And so we launched this community partnership program with the idea that we're going to become closer to our communities and ensure that every community has a full grasp of the research, the marketing and the business development aspects of our work. That there is tie-in from Council, from private sector leaders that are driving the economic advisory strategy, so you can grasp how to tie in best to our model. And we will create a greater level of transparency of how we further integrate into the system and go out and market your community in a fashion that's going to be productive for you. So with that, I will pause and be happy to answer any questions or if you have questions of Danielle and I thank you for the opportunity to be here tonight.

[Time: 01:28:10]

Mayor Lane: Thank you very much, Chris, it's been a great presentation and information on behalf of both of you. We will have some questions, but I first want to just again, say congratulations to the appointment of the position in a full-time, non-acting position for the C.E.O. of GPEC. We have not only great expectations but certainly great understanding of your abilities in the area. So look forward to that and working with you closely.

I would say, just as an opening comment, I want to say that I think GPEC is our strongest, absolutely our strongest regional economic development partner. In fact, maybe that's an easy thing to say, but there are other agencies on a statewide basis and, of course, regionally across the valley and across Maricopa County. But by far and away, from the standpoint of the being able to be collaborative and working together closely and I think in a very straightforward kind of manner, you mentioned your strengths and I think those have been exhibited time and time again as you continue to, I think, strengthen those and what it adds to the equation for our economic development department in that relationship and with that data, as well as all the cities across the region. So I just wanted to tone in on that to start. I may have another question or two, but I will now defer to -- we have some comments or questions from our councilmembers.

And if they would, if you would just indicate who you are asking the question of, I would appreciate it and start with Councilmember Korte.

[Time: 01:29:42]

Councilmember Korte: Thank you Mayor. Mr. Camacho, congratulations.

Chris Camacho: Thank you.

Councilmember Korte: Danielle mentioned in the slides that 40% of the total budget of GPEC comes from the public sector, so taxpayer dollars. What is the total budget for GPEC?

Chris Camacho: Yes, we are approximately \$5 million in cumulative revenue.

Councilmember Korte: That's pretty strong. And do you have a breakout on just simple budget items, personnel, variable costs, things like that?

Chris Camacho: Yes, Councilman, Mayor and councilman, yes, we do. The majority of our funding, about two-thirds of GPEC's funding is in our personnel line item. The focal point is we bring the best and brightest people to focus on the economy and drive the business development and marketing strategy. We spend a lot of our efforts in developing people, developing talent, and we have been fortunate over the last several years, both with Barry and certainly my leadership plan is we have had a number of our folks launch from this market and lead other national markets in their economic strategy. So we do heavily invest in our people but we also heavily invest in business development

and marketing strategies as well.

[Time: 01:31:02]

Councilmember Korte: Thank you. Danielle, on a slide, you had the board members. We had two board members that represented Scottsdale, i.e., Scottsdale business people. What is the size of your board of directors?

Chris Camacho: Mayor and Councilmember, the total board is 74 members. The cumulative board, which is a lot of fun for me.

Councilmember Korte: No, it's not.

Chris Camacho: The executive committee is 30 members. And so you have Curtis Reed who is the Chase Bank president, who serves as your designee on the executive committee.

Councilmember Korte: And Curtis, Mr. Reed being Chase Bank market manager, does he work at a branch here in Scottsdale or a Scottsdale resident?

Economic Development Director Danielle Casey: Councilmember, Mr. Mayor, he's a Scottsdale resident. But he's not at a branch but he's the big guy. He's over the entire market.

[Time: 01:32:05]

Councilmember Korte: Okay. So he works downtown. Okay. And then lastly, the number of committee members, the total number. I know you have got several committees and it probably increases the number exponentially but if you have a number for us?

Chris Camacho: Mayor and Councilmember, you are you are going to really jog my memory tonight. The healthcare leadership council where Danielle sits as a member is approximately 50 members, primarily made up of the city representatives as well as a number of the biomedical and healthcare CEOs that drive the marketplace. The international leadership council is a more robust team of 35. That's generally represented by a number of our mayors, city representatives and private sector companies that have international operations or headquarters here and have operations globally. The community and building consortium, which I don't think was mentioned on the slide, but that's a group of developers, real estate, architects those holding notes on buildings that want to see more development occur, and they help us solve city challenges or regional challenges that enhance our competitive nature in that group. It's approximately 60 members from the private sector predominantly. And lastly the economic development director's team is comprised of all 22 member cities and the county, and the utilities that also play a part in the economic development. So that's a cumulative team of about 35.

Councilmember Korte: So we have two individuals representing us in committee structure of 180 people? It seems like we could do a little bit better job on that. Thank you.

[Time: 01:33:56]

Mayor Lane: Thank you Councilmember. I don't have any further questions from the Council at this point in time. So I think we're probably ready to move to a vote, but let me just say once again, the importance, I see for GPEC and certainly I will be supporting renewal of the position for GPEC with us. I think it is a critical component and what we have been doing and frankly the advancements you are moving into the health care area that we sort of work very, very closely with you on, as well as the international side of it, I think is something that's important for Scottsdale and for our region and for Scottsdale's participation with you on that. Thank you very much for the presentation, and for being with us here tonight, Chris.

[Time: 01:34:40]

Mayor Lane: I think we are then ready to consider a position to, is this a motionable item? I'm sure it is. Okay. A vote to include the annual membership. Yeah. Okay. Do I have a motion to?

Vice Mayor Milhaven: Mayor, I will make a motion to include the GPEC membership in our 2015/16 budget.

Councilmember Korte: Second.

Mayor Lane: A motion has been made and seconded. Any requests to speak any further? Not seeing any then I think we're ready to vote on that. All those in favor please indicate with a aye and those opposed with a no. It's unanimous, 7-0.

Economic Development Director Danielle Casey: Thank you.

Mayor Lane: Thank you very much, Danielle.

Councilwoman Klapp: We didn't vote.

Mayor Lane: I saw a change. All right, is it going to be any different? But we'll do it again. Alright, here we go. Ready, set, go! Okay. We did it again. Very good. So we're good on that.

POLICE OFFICER COMPENSATION

[Time: 01:35:51]

Mayor Lane: We move to Brent Stockwell who will talk to us about the police officer compensation, which we discussed in study session and I presume it's coming forward with the information as requested.

Strategic Initiatives Director Brent Stockwell: We have one more item that we need your feedback on before we can get the proposed budget ready to come out to you on March 17th. What we want to

do is talk about police officer compensation. As you know, three weeks ago, we spent a longer period of time walking through all of those issues and so what we wanted to do tonight is just bring back the key options for you, with the cost of each one of those options and have you vote to give us direction on which of those options to include in the proposed budget.

So after the discussion on the 10th we sat back down as a group. The city manager, the city treasurer and the city human resources director and the representatives of police associations talked about the conversations the council had that night and talked about the options and the direction that you provided that night. So the options that you have before you tonight or a result of that discussion with the association and the staff.

So we have a number of options for you tonight. These will seem very familiar to you. The first four options are just different increments of increases that you could give to the police officers.

[Time: 01:37:17]

Mayor Lane: Excuse me one second. Mr. Stockwell, are these not exactly the same options that were presented to us in the work study?

Strategic Initiatives Director Brent Stockwell: Mayor, you are very quick. These are very similar with one exception. I was going to get to that exception.

Mayor Lane: What I was wondering is that we had spent the elongated period of time that you talked about coming to some conclusion with regard to limiting the options or at least bringing forward the options that we discussed and their costs.

Strategic Initiatives Director Brent Stockwell: And these options are limited and there's one new option for you to consider based on that discussion after your meeting.

Mayor Lane: Um, okay. I just don't see it as what we had asked for.

Strategic Initiatives Director Brent Stockwell: Okay. Let me quickly run through the direction we were given was to come back with options and costs for a step program between 3.5 and 5%, and so what we are talking about there is a range of options between that amount. So we will do that.

Mayor Lane: Well, there's the difference, I suppose. What I had understood and frankly what I thought I repeated to you at that point in time was we had come down to a 3.5 or 3.8 and wanted to see the cost differential on that on the step. One second. I want an answer.

Strategic Initiatives Director Brent Stockwell: And Mayor, what I'm repeating back to you is what -- as we sat and talked about the direction that was given and what was included on the marked agenda, it was a range of options between 3.5 and 5%. And I remember at the end of the meeting it was asked would we come back with options for 5% and the city manager did nod his he had and said, yes, we would. So I can,

Mayor Lane: I must have heard it as 3.5%, but nevertheless, if that's the case, our direction, as it came, with the amounts that we were talking about, we did take an informal survey, if you will, to determine where we were going to be. And that was the 3.5 or the 3.8 as we averaged it and that's what I thought was carried forward. If somehow or other it was communicated otherwise, I don't know that we ever took a survey to include 5%.

Strategic Initiatives Director Brent Stockwell: Mayor and members of the Council, I know this was some question about what precisely that direction was and if I could just run through these fairly quickly and then I can get out of the way and have you guys talk about what direction you want to give. And I only have four slides.

Mayor Lanes: We will have to go through exactly the same process we did the other night.

[Time: 01:40:00]

Mayor Lane: All right.

Councilmember Korte: Mayor?

Mayor Lane: Yes, Councilmember.

Councilmember Korte: So I don't remember it that way. I remember that there was not a clear message given as far as the range of options. I understand that there were two councilmembers that called for a 5% increase and then everyone was in between the 3 to 4 or 5%. So I appreciate these options tonight, Brent, and I think it will be a good conversation.

[Time: 01:40:38]

Mayor Lane: Well, it may be a very good conversation but that's not the way I understood it. So in any case, what we did the other night was it's off the board. We really did not take a survey or consider an area that we wanted to settle into apparently. I don't know whether the rest of Council sees it that way or not. So we are on this path so we will go through the process again.

Strategic Initiatives Director Brent Stockwell: I know it was a long conversation. It was well over two-hour conversation and I know a lot of things were discussed over that period of time. One of the issues that may have not been clear and I think it's clarified on this screen in terms of the option, is we were talking about steps and we were also talking about fixes. And sometimes when people were talking about a 3.5% step, they were talking about an increase and other times they were talking about a fix. So what we felt might be more helpful is just to lay them all out on the screen and then have you make a motion and vote and we'll put that in the budget.

[Time: 01:41:35]

Strategic Initiatives Director Brent Stockwell: So to be clear, the first option that's listed on the

screen is what was included in the budget in the proposed budget. This is 3% increase up to the maximum for all employees including police officers. And that shows you what the base costs of that is, the additional amount from what's included in the current budget this year.

We also talked about a 3.5% increase and so that's going to take all the employees where they are and move them up 3.5% more from where they are today. And then over time, you will find over a 13 or 14-year period of time, that will create a 3.5% step program, but not until all of those individual salaries work themselves out. The other option is 4%, 5%, those are just different increments of increase that would be different than what all of the other employees are receiving.

Now, the option that the group came up with after listening to the discussion was kind of a moderate or compromised approach, where it not only takes the increase, but then also does a fix. And how a fix is different than just giving an increase is that's actually going to take each officer and put them on the scale where they would be based on their years of service. So this 3% fix, what that would do is a year one officer would make 3% more than the bottom of the range and a second year officer would make an additional 3% and a third-year officer would make an additional 3% and all the way up. And that would fix -- that's called a fix because it actually places all the officers in this salary range or salary scale based on the year of service and the five-year officer will make more than a four.

And so that's what that option was. This was not costed out for you before. It's much less expensive than the other step, the other fix options that were presented that night mainly because it is a smaller amount and it does it in year one. And then what it does differently than what we talked about before was instead of being a 3% fix, and 3% moving forward, or a 5% fix, and 5% moving forward, it blends those together and does a 3% fix in year one, and then it's 5% increase or a 5% step in every year thereafter. And so it kind of blends those two together and we thought it might be something that the City Council would be worth considering because some of you were talking about a fix and others of you were talking about an increase. Hopefully I explained that.

The next slide is just going to show the same options over the five years in the total and then there were two other pieces of information you asked us to come back with. One was to clarify how we would tie pay increases to performance. It was clear that you wanted them based on merit, rather than simply based on years of service. What I included was an excerpt from our improved administrative regulation on performance management and what it sets in the highlighted portion there is that employees will be eligible for a pay increase if their overall evaluation rating meets or exceeds performance standards. So they will have to meet or exceed the performance standards on the evaluation in order to get an increase. If they don't meet that, they will not receive an increase. This is the plan that's in place for all employees and it would also continue over to police officers.

[Time: 01:46:27]

Mayor Lane: Excuse me, Mr. Stockwell. We have a question. Councilman Smith.

Councilman Smith: Go back two slides when you were talking about fixes and steps or whatever. Could you describe again what you mean when you say 3% fix? Does that mean? Well, you

describe again.

Strategic Initiatives Director Brent Stockwell: Sure. So what will happen with a 3% fix, instead of everyone just going up 3% or 4% or 5% from where they are today, what would happen if you instituted a fix is we would take the entire salary range and we would divide it into 3% increments. So the first year officer would get 3% above the bottom of the range, a second year officer would get another additional 3% and there on up until they reach the top of the range and that would provide a spread.

Councilman Smith: When you say 3% and then a second year officer gets an additional 3% has this all happened in one 12 month period of in time or over their career?

Strategic Initiatives Director Brent Stockwell: Mayor Lane, Councilman Smith, the fix would occur in year one, and then subsequent to that in year two and in perpetuity until we got different direction from the council. We would budget 5% increases up to the max of those employees.

Councilman Smith: So a particular individual who happened to be, and I'm trying to remember the graphs that we were looking at a week or so ago, who happened to be at some large gap between his pay and the line you had drawn, might get a very large increase to get him up on that line?

Strategic Initiatives Director Brent Stockwell: Mayor Lane, Councilmembers, Councilmember Smith, yes that is correct. The largest increase that anyone would get would be about 14%. And I think that's consistent with when we showed that chart and showed where employees are now and where police officers are now and where they would be if you wanted to create a 3% step program.

[Time: 01:47:35]

Councilman Smith: It may be what you intended but I think I may be with the Mayor. It wasn't what I understood. I understood we were adopting some compensation program that would move the officers toward that line over time. I never contemplated that we would try to smash up to that line all in a 12-month period. But that's what you are saying, right?

Strategic Initiatives Director Brent Stockwell: To a 3% line yes. Effective the start of the new fiscal year, if this was approved, if Council wanted to do this, then each police officer would be moved to that set 3% step along that line in year one and then every year thereafter, they would get a 5% increase up to the top of range.

Councilman Smith: Well, then as I understand it, I mean, as you know, when we discussed this a couple of weeks ago, I had trouble trying to take current compensation and move it up to a hypothetical line. And I say hypothetical because it was nothing more than the average compensation line of the communities around us and where they might be 5, 10, 15, 20 years in the future, if they stayed with the same program that they adopted at the moment. So it was putting our police officers up to that line and no one has ever seen that line materialize, not for any community, much less Scottsdale. It's just an extrapolation of those communities' current compensation

strategy, adopted for one year extrapolated for 30 or 20 or whatever the number was.

So I will speak only for myself. I never intended to move the entire workforce up to a totally theoretical line, which is an extrapolation of current communities' compensation strategy, adopted in 2014, '15, whatever it is. I never intended to move them up there in one year. So I never understood it as a fix. I don't know whether everybody else did or not. Thank you, Mr. Mayor.

Mayor Lane: Thank you, Councilman.

[Time: 01:49:47]

Strategic Initiatives Director Brent Stockwell: Mayor Lane, members of the Council, Councilman Smith, if I could make a clarification based on your remarks. This is not trying to move them up to that theoretical line that we were talking about. This is simply trying to say based on Scottsdale's salary range and dividing that into those steps going from the bottom of the range to the top of the range, moving them where they would be on that. We're not talking here about that theoretical average or moving them towards that. Yes, it would move them towards that, but that's not what that 3% fix plus the 5% increase would do.

Councilman Smith: If I may, so then you are creating a brand new line? You are saying that let's take the entire salary range, divide it into 20 increments, draw a line of what that would be advancing 3% per year and scoot everybody up to this, to that line which is neither of the communities nor us, nor anything. That's rewriting history in other words?

Strategic Initiatives Director Brent Stockwell: Mayor Lane, members of the Council, Councilman Smith, I think what it's doing is, what it would do is it will adopt an approach in Scottsdale, similar to the approaches that have been adopted in some of the other communities with some modifications. So, for example, Gilbert, Mesa, Phoenix, Glendale, have a 5% step program and they are going to work to move people to those 5% steps along there. This proposal, and Tempe has recently gone to a 3% approach. And I also mentioned three weeks ago that a number of those communities have also instituted fixes in the past. And if you recall that chart, we know that Gilbert had done that at one point and Tempe had done that at one point, and Chandler had done that at one point and Phoenix hadn't needed to do that because this wasn't ever really a point where they had stopped progressing through that. So what that approach would do is set that line for Scottsdale and then move people to the appropriate step on that line. And it would have an impact of increasing those people, particularly the people in the middle that range, which we talked about were the officers perhaps were more vulnerable to leaving to other communities because they were paying higher salaries for people with the same years of service that Scottsdale did. If that helps explain that.

Councilman Smith: Thank you, Mr. Mayor.

[Time: 01:52:30]

Mayor Lane: Thank you.

Strategic Initiatives Director Brent Stockwell: So I clarified the issue that it would be tied to,

Mayor Lane: Vice Mayor Milhaven.

Vice Mayor Milhaven: I want to go back to questions that Councilmember Smith was asking. So this 3% fix is saying we take Scottsdale's starting salary, we add 3% for every year of service and if I go back to the PowerPoint we had from the last work study, if we were to do that, take that 3% line as if we had been giving 3% all along, and lay that against the actual five city average, what it's telling me here is if I'm reading it right, that everyone in Scottsdale, if we moved them to that 3% fix, everyone in Scottsdale, between 2 and 10 or 11 years of service would be paid less than an officer in the five city average. So we are moving closer but we are still below the five city average?

Strategic Initiatives Director Brent Stockwell: Mayor Lane, members of Council, Vice Mayor Milhaven, that's correct. It would move closer to that average but it would not move us all the way there in year one, that's for sure.

Vice Mayor Milhaven: Thank you. And that's against the actual average salaries for each year of tenure?

Strategic Initiatives Director Brent Stockwell: Mayor Lane, members of Council, Vice Mayor Milhaven, if I'm understanding your question correctly, that is taking all of the plans for all the other cities and comparing them all together and creating the average of those. And we had talked about comparing to that. We did do some work afterwards to try to confirm which of those are more hypothetical and which ones are more actual. We found the same information that I shared that night which is that Phoenix is right on with that number. Chandler, we looked at was right on with that number. Tempe was actually higher than that number, because they used to get more increases and now they tapered that off to 3% and when we followed up with Mesa, they weren't able to give us the exact number. But Gilbert we knew they were right at that number because they did a 19, I think it was a 19% average increase a couple of years ago to move everybody up to that, their new line.

Vice Mayor Milhaven: So you confirmed then that's actual pay. It's not theoretical or hypothetical?

Strategic Initiatives Director Brent Stockwell: Yeah, while I'm not able to give you as clear an answer as I had hoped to, I mean it would be much clearer if I had the payroll databases of all of those and I could chart them out. We did go back and confirm to them and we did find that for the most case, that's what other people are doing.

Vice Mayor Milhaven: Thank you.

[Time: 01:55:03]

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

Councilwoman Littlefield: Thank you. So if we do a 3% fix and a 5% step moving forward like the other cities are doing, that would eventually bring our police officers into the same range of pay scale as the other cities surrounding us and would solve the problem of losing our officers to other cities that pay more?

Strategic Initiatives Director Brent Stockwell: Mayor Lane, members of Council, Councilwoman Littlefield, I'm going to make a clarification to the remark you made. What it would do, it would move everybody up, okay and the people in the middle are going to move closer. So if you remember that line, on that gap, it was like this and the people in the middle, those 9, 10, 11 year officers were farther away and the people out at the ends were closer. What this has the effect of doing is narrowing that gap by closing that up in those middle years and it moves them closer to the line. But there still is going to be a gap remaining. But as we sat down as a team, we thought that this moved us in the right direction. It moved us much closer to parity within the market.

So they are going to get that 3% fix in year one and then we're going to budget that they will get 5% increases for each year thereafter. And that will be very similar to what a majority of the other cities are doing because they are regularly budgeting 5%.

Councilwoman Littlefield: Right. Okay. I also had another question about the laterals. Does this solve the problem of if people come to Scottsdale and want to work here in our police department as a police officer, a sworn officer, are we giving them credit for previous years' experience when they come in? And how does that affect our current officers?

Strategic Initiatives Director Brent Stockwell: Okay. Mayor Lane, members of Council, Councilwoman Littlefield. So based on the direction that the Council gives tonight and gets included in the budget and once the budget gets adopted, we will make sure that our transfer practices align with that. So that there won't be that disparity in between the pay as there is today.

Councilwoman Littlefield: Thank you.

[Time: 01:57:25]

Mayor Lane: Thank you Councilwoman. Councilman Phillips.

Councilman Phillips: Thank you Mayor. Well, from what I understand the agencies involved, at first they wanted a 5% fix and a 5% step, and after our discussions it didn't look like that was going to happen. I think that we have pretty much agreed to that a 3% fix and a 5% step is an agreeable amount for our officers in the city. Scottsdale has a problem with officers and that, is you know, we spend \$100,000 a year training a new officer until he reaches a point where he can make more money somewhere else and there he goes. And then we have to train a new one again. So we have a police force of 20-year-old officers. We need a police force of experienced officers and our problem is that middle part, not only do they leave, but we can't get anybody to come in, because they are not going to come in at that pay raise. And I think everybody is agreed all by the council that the 3% fix and the 5% step will achieve that. So I think we should all, you know, whether it's swallowing our

pride or take a deep breath, let's fix this problem and let's go for the 3% fix and the 5% step.

[Time: 01:58:42]

Mayor Lane: Thank you Councilman. Councilman Smith.

Councilman Smith: Thank you Mr. Mayor. Well, for me, it's not a matter of swallowing pride or anything else. This is just a completely different program that what, at least speaking only for myself, what I thought I was voting on or giving guidance on. I mean to say that, you know, doing this will still leave us below the five city average is an odd thing to say because we never, ever saw a five city average. We never saw any graph that was any city average. What we saw graphs that were projections of what the pay would be for the officers if every one of those cities stayed on their current program without the interruption of recession, depression, or any other adverse condition. So I don't know how we can say that we would be below the five city average if we have never seen a five city average.

I don't know how we can say this will solve the problem of losing officers to other cities that pay more, when, in fact, I didn't hear evidence of a great number of officers that were leaving to go. And, in fact, I asked at the outset of the meeting, could you give us some statistics on what you have gleaned from exit interviews and whatever, and I was told this is not something that's driven by turnover. It's just a statistic that's being put out there for your general information so we didn't talk about it more. To now say that we are going to give, we are essentially going to rewrite history. Anyone in the past that took a 2% salary reduction or took a 0% salary increase in the police department, and thereby put themselves in, or thereby were put below this hypothetical five city average, we are now going to do a one-year fix, bounce them up to the line and move them forward with step increases in the future.

I think this is a huge personnel problem, and I challenge the city manager to tell me how he's going to keep the other 2,100 employees in the city or whatever the number is, patient and satisfied while these folks get a 14% increase. They get essentially everything returned to them that was given up during the periods of austerity and I don't think we have any intention of doing that for other employees. I think we would be creating a huge problem.

Again, to repeat, my intent and maybe I just missed the whole meeting, but my intent was to direct you to direct the city manager to put forward a plan that would provide at least as best we could a 3.5% per year annual increase for the police officer employees and, that over time, that would match them up to this completely hypothetical line, that was the seven city average or five city average or whatever that was. I am not sure I even had a question. I just had to get that off my chest. Thank you.

[Time: 02:02:08]

Mayor Lane: Thank you Councilman. Councilwoman Klapp.

Councilwoman Klapp: I might be moving ahead to the next slide, but I already looked at it. My

question has to do with and I did understand in our last conversation we were talking about a fix. That was my understanding of the conversation a 3.5% fix. So you are saying a 3% fix in the '15/16 year would cost 1.62, correct? Is that for just the fix?

Strategic Initiatives Director Brent Stockwell: Mayor Lane, members of the council --

Councilwoman Klapp: Or is it the .92? Because my question is --

Strategic Initiatives Director Brent Stockwell: The point of moving quickly I skipped this.

Councilwoman Klapp: My question has to do what is the cost of doing the 3% fix and the 5% step in '15/16?

Strategic Initiatives Director Brent Stockwell: So in '15/16, you will spend the \$920,000, that's the 3% increase and you will spend an additional .7 or \$700,000 to align officers along that line. So it takes it to 1.62 cost.

Strategic Initiatives Director Brent Stockwell: And that together is 1.62.

Councilwoman Klapp: And when we had our meeting, we talked about what are the ways you are going to find the money to pay for whatever it is we are going to do? So I'm assuming that somewhere along the line we will find out how you will find the 1.62, correct?

Strategic Initiatives Director Brent Stockwell: Yes.

Councilwoman Klapp: And then my next question has to do with the next slide. I'm sorry I'm jumping ahead but I'm looking at the financial implications of this. The five-year additional cost for the 5% fix, have you determined that that's sustainable in the five-year budget?

Strategic Initiatives Director Brent Stockwell: Mayor Lane, members of the Council, Councilwoman Klapp, if it's a priority for the Council and you want to include this, we will make sure that it's sustainable over the five years of that budget. We are talking about, if you notice on here, so the base of that, 3% increase, all police officers are getting paid, you know, \$43.12 million. And so we're talking about are we going to give, you know, \$700,000 more in one year and all of these combined up to 5.66 over the five years for doing this additional. And you are looking at that on a 200 plus million dollars operating budget, okay? So it's very hard to just isolate out one item out of all of the items and say that that item will either make it sustainable or not sustainable. But as I talked to the budget director about this right before the meeting, the conclusion had a we came to is if this is a priority for the Council, then what we'll do is make sure that it's sustainable over the five years. If that makes sense because there's a lot of other moving pieces.

We are only talking about one decision out of a lot of different decisions that the Council could make. And if you say this is what we want to do, then the reason why we are bringing forward these five options because we felt these were all within the range of affordability with the proposed budget.

Some of the other fixes were out of the range of affordability or might require the Council to have to change the direction that you provided previously on what you might be interested in doing in terms of revenue sources and other things.

Councilwoman Klapp: Okay. So you are saying if we would make a decision tonight, then when with you come back later and present the budget, you have got all of your planning in there to meet the requirements of whatever we agree to tonight, you will have whatever cost effective measures you can come up with to pay for this?

Strategic Initiatives Director Brent Stockwell: Mayor Lane and members of the Council, Councilwoman, Klapp. That's correct but you may have a difference of opinion about the other items and that may cause it to go up or down.

Councilwoman Klapp: So you have to have this decision before you can go to the next step.

Strategic Initiatives Director Brent Stockwell: That's why I'm here tonight.

Councilwoman Klapp: Thank you.

[Time: 02:06:23]

Mayor Lane: Thank you Councilwoman. I guess on top of everything else and there's a bit of frustration that I'm sensing from myself, simply because of the horrific waste of time, two and a half hours the other night. I don't see anything about what we talked about here when we were talking about 3.5%, whether it was a fix or whether it was a step. And I think there obviously is some mixed or misunderstanding as to what was communicated. So that's my first, I suppose, complaint. And now I'm concerned, actually, as to the accuracy of some of the numbers we are getting because of some of what you are presenting here today wasn't even included in the material or the information. I'm talking now about the 3% fix and the 5% step and the cost of that. So that was not in the cards. The rest of this schedule, a lot of the rest of this schedule was. And so I'm wondering what happened between then and now.

You know, Brent when you say you will make it sustainable and maybe that will come back to us in the budget process, but I think that everything that we have understood to this point in time is that how you make that sustainable is really the devil that's in the details. I mean, what is it going to take in the way of cuts somewhere else in order facilitate, if in fact, this Council decides to go with the new additional option, which seems to be now the preferred or even recommended one and that's a 3% fix with a 5% step. I don't remember that coming out of anyone's collective mouths as far as the last time is concerned and now that seems to be the preferred direction we are assuming to go. I don't know whether that's now the recommendation coming from the city manager and his office. But to facilitate that, what do we need to do to make it sustainable. I don't know if we can project that through to the future. And to the point that, you know, that there are other parts of our employment base that are going to be potentially either cut in staff or cut in pay or not receive anything. Those have become real issues with the operation of the city. They would probably be

best off to go out and demand the same thing and that's what I would see coming to us. And so that's the stage I don't really want to set.

So we're in a different world than what I understood the direction we were going last time, and so on that basis, I'm not on board with this kind of fix and new step program. I think it's far beyond our means. I think it probably is an overkill, and now I'm wondering even as to the numbers whether or not there was an average line that we were shooting for, and how this has been calculated to meet that need, at least what is being advanced right now. So that's all I've got to say right now.

So if we are somehow of a collective mind now that this is the direction we are going, I'm going to be very interested to see how we obtain it and what we are going to do for the rest of the 2,000 other employees that are not in this range of thing. That's my concern and that's a bit of frustration speaking, I suppose from the standpoint of two and a half hours of muddling through this before and now we have got a really completely different program than what was ever enunciated from anybody collectively, and that's the 3% fix and a 5% step. So we are saying we had options but it seems like that's the direction we are being led.

[Time: 02:10:07]

Strategic Initiatives Director Brent Stockwell: Mayor Lane and members of Council, if I may address a couple of those comments if I could. So three weeks ago, we presented a wider range of options. They went everywhere from the 3% base all the way up to a 5% fix. It would have been a 5% fix in year one and 5% step moving forward. And as we heard different -- each of the councilmembers articulate their positions on where they were, we heard a wide range of positions on that, from increases moving forward, to people that wanted to do a fix. And so as we digested that conversation, and sat down and looked at, one of the things that we had not thought about before, but came as a result of this discussion that you had, is what if we did a smaller fix and then moved the larger amount moving forward, thinking that was something that wasn't presented before, but after the two hours of discussion, came to the mind of group. And so we costed that out.

Mayor Lane: If I might, Brent, and I don't mean to interrupt your stream of thought. But the fact remains if that is the case then you are bringing us something different. It may be a collective image or thought you heard, but it wasn't really -- if there was a summary of what we were talking about now, I don't know now. I have a doubt in my own mind as to whether we said 3.5%, 3.5% budgeted item, as we go forward. That's essentially what my thinking was that we were talking about. Making sure that we were budgeted for 3.5%. And that's as we were going into it. Now this fixed component, I think, at least in my case was consciously left off. I was talking about budgeting for 3.5% and seeing what that does to us and then how does that work into the budget?

Now we are talking about a lesser increase budgeted increase, but getting on to a much higher budgeted increase in subsequent years, as a potential, well, the 3% being a fix as you described it and I don't know that I completely understand how that gets applied to do what you are saying. But nevertheless the 3% fix with a 5% budgeted every year on a step program, notwithstanding anything.

Strategic Initiatives Director Brent Stockwell: And Mayor, if you wanted to give 3.5% increases for every police officer moving forward, then the option that you would want to go for is the second column on this chart on the screen. If you want to treat all employees similarly, give all of them 3% increases up to the maximum range, then would you want to go with column one. However, if you want to give more than that, we put those kind of options in between there, and we came up with this other option. And I would say that this option came as a result of listening to the questions that the Council had over that time period. And listening to the different issues that you were interested in and concerned with and that's how the option came up. It was a work study. That was the point to share the information there to get your feedback on it, and so that's why we came back with that. All the other numbers have remained the same.

If I may talk to the question about how this might appear to the rest of the organization, and like I said, if you want to treat everybody differently, go to that far left column. One of the things we talked through as we went through that work study, was the fact that other cities that we are competitive with for officers and we have had some officers leave to those other communities, haven't practiced an established percentage increase that their council has directed; in most of those cases it has gone through a memorandum of understanding. So there's an agreement between their union and the city as to what the default position will be for those increases. That is different than most situations for all other employees. Okay so that was one thing that we talked about where police officers a group are different than other employees. And the other one that is different, we talked about all the assignment and specialty pays and all of these different additional compensation that are above the base compensation that other cities paid that Scottsdale does not that adds into that.

Mayor Lane: Wait a minute. Let me inject here because this is another line of conversation we had. The extent of overtime that's available to police officers here and other benefits that are incumbent upon in working in the city of Scottsdale. Some are quantifiable, some are not. But the other major component, if we were to look at net attrition, net attrition versus folks coming to us, we have no avenue for experienced officers to come here at least locally that wouldn't be penalized because of our policy not to give them credit for any time they may have been on the job at another location here in the valley, certainly maybe within the state, I don't know. But the fact remains, we have one side of an equation because we all know there have been officers that have tried to come to Scottsdale, but immediately decide not to. And it's not because the pay is low. It's because they can't get credit. They can't even get into the same range of things as they would be as an experienced officer from where they came.

So I hear what you are saying. I hear where you are going and we can get a lot more complex about that, but if we look at total compensation, the two pension plans with the overtime, all the availability, and notwithstanding the fact that it's worked, but frankly as we found out, it's popular work on top of everything else. You know, you are talking about an average officer making over \$115,000 a year. I don't know how that translates to some of the numbers that you are now talking about as far as the other benefits.

Strategic Initiatives Director Brent Stockwell: And Mayor, all I was trying to say is if you wanted to get your head around the issue of paying police officers different than all the other civilian employees

and all the other employees in the city, I was just trying to suggest a couple of factors where their employment and the facts of their compensation are different than other employees and why they might be treated differently. You mentioned their pension system. The pension system is also different for police officers than it is for other employees. So there's a number of things that are in place, and so that's why I'm saying if you wanted to get comfortable with that, that's how one might get comfortable with that.

Mayor Lane: I understand there are differences with other employee groups. That wouldn't keep other employee groups from demanding the same kind of comparisons and/or step programs or otherwise if we follow through on this. In fact, we already know there's another department that is looking and wanting to follow exactly the same suit. So it's a stream of consciousness we are going to develop within the city and maybe that's where we go, but nevertheless, that's a part of the program that we have to concern ourselves with. I think the one thing that -- the idea that we have a policy right now, that we don't allow people to -- I'm sorry, we have a policy right now that doesn't allow for the transfer of officers and giving credit for experience, is something that I understand why we might even want to have that policy, but it does distort another part of that picture.

But anyhow, I said enough on the subject. You know, I frankly want it to be fair. I want it to be right. But I'm also concerned about the other employees in the city. And when we talk about making something sustainable, it's going to come from somewhere, and so I'm interested as to where it's going to come from. And so if we get down this road and we find, you know what, we have to lay off 100 other people, or something like that, well, that's pretty high price to pay when we are just trying to work out a plan for one select group. And I understand they are an important group, and I don't deny them that. But at the same time, it is substantially. And when we talk about the differences between that base group and the police officers, they are already over 40% higher as the base group as sworn officers; understanding it's not apples to apples, but it's still a significant premium. I know that there's been a growing impatience, I suppose, but I will go to Councilman Phillips.

[Time: 02:18:53]

Councilman Phillips: Thank you Mayor. So let's look at this another way then. If we do a base 3% increase, is that going to fix the problem?

Strategic Initiatives Director Brent Stockwell: Well, Mayor Lane, members of Council, Councilmember Phillips it depends what problem you are trying to solve. If the problem you are trying to solve is to have a clearly defined policy for how the Council and the city of Scottsdale is going to pay police officers so every recruit and every officer knows what the city's position is on that, then making a clear statement about what the Council wants to do will solve that problem. If you are trying to solve a problem where you are trying to hit a moving target and match what every other city is doing all the time, it won't solve that problem.

I think that's why I wanted to clarify it the way I did and that is that the one thing that all of these other cities do is it's clearly known what their practice and their policy is in place. You know that,

what that is, and Scottsdale, we have kind of -- as we come out of the recession and we eased into this we haven't really figured out. We have been deciding on a year by year basis, what that practice is going to be and all we were trying to do is lay out before that that has sequences on recruitment and retention and so that's why I think we thought it would be valuable to get clear direction from the Council on what it is that you want to do.

Councilman Phillips: Right. So in order to do that and to fix the middle income part of it, what would do it?

Strategic Initiatives Director Brent Stockwell: So if what you are trying to do is to fix the hypothetical average of what all of those other cities lines are, you have to go to the 5% step and step fix and that takes you to that line and beyond that line to take into consideration what those other officers are receiving in additional compensation. And that's the type of thing that you would have to do because that's very similar to what some of those other cities have done, either by continuing to give those increases through that time period and continuing to have those other pays or making one-time fixes to get people up to that line and funding them moving forward.

Councilman Phillips: So the 3% fix and the 5% step is the only way to really fix this and any other way, we are just kind of wasting our time and our money? And the city manager is shaking his head no. So I would like to hear his opinion.

[Time: 02:21:30]

City Manager Fritz Behring: There's 20 questions here that you guys might have about this, but I think the easiest way to understand this is what one is how do you want to handle your police officers in the future any different than what you do today. You may decide that you want to handle your police officers a different way than they are currently run, but it does create problems with the vast majority of your other employees. That has to be something you have to think about when you make that decision.

What we have been able to make clear is that most cities handle police officers differently than the rest of city employees. And that's some of the information we brought forward. Some people would say, well, you know, should the police officers be -- should these fixes be approved as part of the decision this year, a budget decision, when over several years we didn't have the financial ability to do those things. The Council may decide then, okay, going forward, we are going to handle police officers this way. Whether it be 3.5%, 4.5%, or 5%, you could easily do that, because there's other cities that do that stuff. But there is no simple way to do it. And even if you did a 5% with a 5% fix, I guarantee you, there will be people who will be unhappy with that, and it won't be enough for them because it will not be as good as some other city might have paid. So it really is a policy decision that you have to make. There is no one simple decision that you can easily make. If this was an easy issue, you wouldn't be dealing with it all the time, year after year after year.

The thing that, from my point of view, we as Scottsdale handle police officers differently than most cities do. And that's the biggest question that I think we have to look at first of all. How do we

handle our police officers going forward the same way other cities do? Some of you may say, Fritz, we disagree. We have a different opinion. We want to handle it this way, that's fine. That's the decision of the Council. I will make sure that it works. But it depends on the future.

Councilman Phillips: So, of all of these options which one do you think would best fix our problem as best as we can?

City Manager Fritz Behring: You want my honest? My simplest thing is to say, I can't go back and make changes for what happened during the budgetary problems. But if it was simplest, the simplest thing for me as the manager is to say going forward all of our officers will get a 5% step, different than what other employees do, because that's what the market shows for police officers in the Phoenix area. That would be my first decision.

The second decision would be, I understand because of that decision, there will be people, current police officers who will not be happy with it and they may look at other jobs in other cities. There are other employees across the city who won't like this idea and they might come forward and ask for a union representation or some type of an agreement. Those are problems that could easily happen.

But going forward, it's much easier for me to finish the issues going forward, not worrying about things in the past. The problem is that several cities have done that, they have gone back and thrown out big amounts of money to their police officers. Gilbert. Who else was it? Phoenix. There were times over the years whether they would write these big checks. Whether they were the right decision or the wrong decision, it happened. And so my police officers hear about that. They know what's going on in the other cities and it creates some problems.

Councilman Phillips: So I think the 3% fix and the 5% step is the best we can do for our officers at this time. It seems to be affordable. It seems to be able to put it in our budget over the next five years, and it will make the most people happy. Obviously we can't maybe everybody happy and the bottom line is these are police officers. These are the people that are willing to stand in front of you and take that bullet. I don't know of any other agency that's willing to do that. I can't imagine anybody even trying to compete with that. I can't imagine doing that myself. I think what we need to do as a Council is stand up and do the right thing to the best of our ability to compensate it as best we can and I think that's the 3% fix and the 5% step. Thank you.

[Time: 02:27:11]

Mayor Lane: Thank you Councilman. Vice Mayor Milhaven.

Vice Mayor Milhaven: Since I was on the phone for the work study, I don't know if I got the chance to thank everybody who worked so hard on the committee to get us this data. I know as Mr. Behring said, year after year we have this conversation and it's been one of my priorities since I got on the Council to make sure that we are fair and equitable and our decisions are informed by facts. I want to thank everybody who has invested their time in making sure we have as accurate information as was possible to get.

Second, Brent, when you say, that all of these are within the range of affordability, it almost leaves us no choice but to say, do we in Scottsdale -- what does that mean? Well, yeah. I'm going to go there in a second. When you say it's within the range of affordability, then it means like the only option we have is to say certainly we want to compensate our police officers on par with every other agency and so it would be unconscionable for us to do anything other than to give them 5%, the way other agencies do. But we haven't seen a forecast for the coming year. We haven't seen a forecast for this year, we haven't seen a potential rollup for next year to say it's affordable. I'm a little uncomfortable to go forward with it.

I want to step back from the conversation about specifically which fix and go to the conversation around all employees. We are looking at police officers separately from everybody else and that's a big deviation from what the practice has been in the city in the past. If the numbers show us that police officers get bigger increases during the year than the rest of the population, then I can probably take that step and deviate from what our past practice has been and say police officers are going to get a larger increase moving forward. But, I have not seen any information that supports the fact that says police officers get a higher percent than everybody else. I know you are talking about a M.O. U. versus policy and that's a difference in the process.

But I would like a better understanding historically how did all the other cities pay their other employees over this period of time. I understand we are in this pickle with police because other cities were paying 5% a year when we weren't. And so we got behind the eight ball. What were they doing with their other employees to say what does that look like? I know that fire, the other public safety group, you know, do we treat police different than fire. I asked the question too, to say what have other cities done with fire increases over this period of time, to say, should fire be treated the same or different? And so I'm sort of looking for data that says I'm willing to consider that police get paid a different percentage increase every year than other employees but I haven't seen anything that says that it's justified that it be different. I just can compare to what other cities are doing.

Four years ago. I will change track for a minute. Four years ago when I was first elected, both fire and police had significant issues with compression and equity. And in that time, fire was able to take their 3% and make fixes and so when I talked to the fire people today, they say we're pretty comfortable today with where we are in the marketplace and they used their raises to take care of things. In the same period of time, police got an extra bump two years ago. They got money to fix it. And yet they continue to have issues and so my question is, in a world where, in the data they gave me was that fire has been getting 5% and the other cities. How do we get to this place where other cities are paying police and fire 5% increases? Fire was able to take their 3% a year and apply it and stay competitive and yet police keep coming forward saying I need more money to fix this. How do we get there? Maybe I will leave it as a hypothetical. I think fire has demonstrated amazing creativity and courage to fix their compensation issues and I'm disappointed with police not being able to do the same.

[Time: 02:30:31]

Vice Mayor Milhaven: You know so let me ask the question another way. So I know one of the differences in this is that we're changing the way we budget to be 3% of max versus 3% of payroll. Because 3% of payroll is everybody who is getting paid and if you are at the max, you are not going to get so you have that money to apply to somebody else. So how did -- if we have been doing 3% of payroll, how did police apply the extra in the past?

City Manager Fritz Behring: I think I can explain the fire department issue is that they obviously have a problem in how they paid people over the years, and it was decided for the past two years that we would make tough decisions to pay for the people who needed to see their pay raises go up. And basically what management and the chief met with me and my staff, to make it a priority that the management staff would not get a pay raise; in exchange, the money for those salaries would be paid to the areas of the employees that needed the pay raises to make. And we have to finalize that this year in year three. Now once we take of year three, I'm comfortable. I talked to the union people. I talked to the management at the fire department. We shall have the vast majority of our problem taken care of this year. That will not stop us for next year.

Okay, somebody is saying now we want to be treated differently. So I would fully expect that the fire department could come to me or to you probably first and say, yes, we want the same treatment as the police department or some other way. And so there is no stopping that type of thing, but they did it right. In my opinion, they stepped up and they made a tough decision and took a certain amount of money and made the tough decisions to take care of people's salaries. So I'm very happy with how they have done. We will have to deal with the issues next year too.

Vice Mayor Milhaven: How do we get police to make similar tough decisions?

City Manager Fritz Behring: Well, if the Council decides that the amount of money that will go into the police department, if it's at 3.5% or 4% or whatever it becomes, then that can be a decision of the Council. In the past, the departments have had the ability to move those dollars within the pay raise.

Vice Mayor Milhaven: I want to get this fixed and I'm willing to spend extra money but I'm tired of throwing money at the police department and not having the problem fixed when fire fixed their problem without any additional money. So where am I with this?

City Manager Fritz Behring: And it could be fair to say that the problem between the pay in the fire department is different than the pay for Scottsdale and other police departments. I don't know how those two compare against each other right now.

[Time: 02:35:39]

Vice Mayor Milhaven: So here's where I am. The slide, Brent that you never got to, that says policy. The policy moving forward. I would very much like us to come to an agreement around this for police. I'm inclined to say 5%. For fire, I'm inclined to say 5% because the data they have given me is that fire departments are getting 5%. But I also would like to know about the general employee base, what have other cities been playing their general employee base. If it's not possible, then we

need to consider the financial implications of it. That's where I am with this. In terms of the police fix, I would like to see them get to the 3% line, but I would like to have some assurances that we're applying the money appropriately so it will fix the problem and we won't be back here again. And they will maybe make some of the tough decisions that fire has made. Thank you.

[Time: 02:36:41]

Mayor Lane: Thank you, Vice Mayor.

City Manager Fritz Behring: In your question about moving forward, our plan for the fiscal five-year plan, we have run some numbers. You know, if we were to estimate that employees were to be given a 2% pay raise every year for the next five years, I have enough money to do that in the general fund. If I was to give police officers, I have enough money to pay for those two as well at the same time. However, I guarantee you, I don't have enough money to take care of everybody that way. I don't have enough 5% money to pay for firefighters. I don't have 5% money for the rest of the 1500 employees and then we would be in a position where we would have to make tough decisions and cuts in other areas absent a tax increase. And Council has made that perfectly clear to me that they are not big on raising taxes. I understand that. So the options that you have are there, but they are not for everybody.

Vice Mayor Milhaven: I would just like us to be fair and equitable to everybody, understanding that is a challenge. Thank you.

[Time: 02:38:12]

Mayor Lane: Thank you, Vice Mayor. Councilmember Korte.

Councilmember Korte: Thank you Mayor. I too would like to thank the staff and the working task force for the hours that was put into this process, financial services, H.R., police officers, management. I know that it was a timely process but I think it was very worthwhile in that we have finally been presented data and numbers that are accurate and credible. I think that's what's been lacking in the last couple of years. We just didn't trust numbers.

Having said that, one thing I learned in the past two years is that our police officers and their compensation trend throughout history, they are treated differently. And that's something that's been hard for me to grasp, coming from the business sector and treating all of my employees equally and respectfully. It's been a hard one for me to grasp.

But I do understand that in reality, we are competing for the best and brightest and our competing cities and towns or cities have created a compensation strategy the past several years, well of the past many years of 5%. And that is, I think, what our police department and our police officers are looking for is that strategy of providing increases of 5% for each authorized police officer. So I'm going to support that 5%. And try to get my arms around the 3% fix.

[Time: 02:40:34]

Mayor Lane: Thank you Councilmember. Councilman Smith.

Councilman Smith: Thank you Mr. Mayor. I guess the, and I will try not to be repetitive in some of the things I'm going to say here, but I'm hearing us say, will 3% fix the problem? And I have to tell you, honestly, I don't know what the problem is. Except some people in the police department have taken pay cuts and zero pay increases for a few of the years past and that has put them below a hypothetical line of where they would be if they had not taken those cuts.

And so what we're now being given is the opportunity to completely rewrite history and give some of them an increase of 14%. And I'm not sure how I tell the citizens whose money I'm spending and I'm sure none of them are getting a 14% increase, no matter who occupation they are in. I'm not sure how I justify that to them. And I think the city manager was right in saying at some point, you know, if you stretch the budget too far or whatever you may have to look at a tax increase and that's, is it affordable.

A couple of weeks ago we had a debate in a work study here in the Kiva and we all wrung our hands and said times are tough. Times are uncertain. We can't afford certainly to give the taxpayers any relief on the money that they are sending us. In fact, we have got \$29 million coming in, in the next five years and we need all of that! And I guess now I understand why we need it if we are going to give out 14% increases to employees and give them a guaranteed 5% going forward. I just didn't think that was our priority.

I join with Councilwoman Milhaven in applauding the fire department for what seems to be an exemplary managerial way in dealing with the inequities in their compensation. I join with her also in wondering quizzically what happened to all the money that was authorized for pay increases and could not be given out because it would have otherwise gone out to individuals and put them above their range. Where was that money spent when we authorized the 2% budget overall for the departments does that mean some people got the 2, 3, 4, 5%? I have no idea.

I don't know what problem we are trying to fix. I don't know how we pretend we are going to be able to afford this but nothing else. I don't know how we will possibly reconcile this with the other employees and those employees are delivering services valuable to the citizens. Like everyone else in the Kiva, I think public safety is number one in the citizens' minds but let's not forget, we have not really been neglectful in meeting that responsibility. If you count up for the dollars spent for fire, police and the judicial system to administer the issues of police, we are spending 56% of the entire general fund on public safety. I don't think we can be accused of being neglectful. I don't know how we think we are going to manage this. I will say again what I am in favor of as I said the other night, putting into place a commitment on our part to do our dead level best to deliver 3.5% per year. And I never had any intention of moving everybody up and rewriting history and getting them on some hypothetical line. If it is three plus five, whatever this thing you are looking for support on, I'm not there. Thank you very much, Mr. Mayor.

[Time: 02:44:56]

Mayor Lane: Thank you Councilman. Councilwoman Littlefield.

Councilwoman Littlefield: Thank you Mayor. Well, the problem that we are trying to fix is the fact that for several years in the past, other cities have been increasing the pay scale of their officers at 5% or better every year, and the city of Scottsdale has not. Therefore, our officers are falling below the average throughout this valley and other cities in their pay scales from about the years '2/3 to '12. In those categories only. If we only give them a pay raise of 3 or 3.5% this year and every other city in the valley as we saw two weeks ago is giving them a 5% pay raise for their officers, we fall farther and farther behind. Now, if you are a young officer with about five or ten years' experience, and you are making \$10 to \$15,000 less than your corresponding officers in the cities right next door and you have a family and a wife and a retirement to think about, you will not stay here, regardless of how lovely Scottsdale is or how much they want to. They will go where the market is.

And we have to face those competitive market stresses if we plan on keeping our officers here in Scottsdale. Now, I'm talking about our trained academy graduate officers with several years under their belt of experience. These are the same officers that train the newcomers coming in from the academy. If they leave, who is going to train the new guys? Now, I don't know about you but we give these officers guns and badges. I want highly trained officers on my streets. I want well-street trained officers that know what they are doing, for one thing, so they don't get hurt, and I want those in the city of Scottsdale.

We're losing our officers at a very fast rate. Right now, because we are not competitive in the marketplace. This is what we need to fix, to be competitive with other cities surrounding us in the marketplace. That's what the fix is, the 3% or the 3.5%, whatever the Council decides. A 3% fix will start moving those officers up and it will also give experience credit to officers if we can get them to come into vacancies for the experience that they have received in years from other cities. Right now, we are not able to hire officers from other cities because they don't want to come here and take a pay cut. The other 5% step, that's what the other cities are giving them. This year, in their budget. If we don't do that, we are falling farther and farther behind. We have to try to move up to the competitive market. That's the problem that we are trying to solve.

I understand it's going to be expensive and I understand that's what it costs to keep high quality police officers here in Scottsdale. I don't want mediocre police officers here in Scottsdale. I want the best! And safety is number one. If our people aren't safe, there's not much else that matters. So I really believe this is important to Scottsdale to bring it up to a competitive marketplace amount. Now there may be problems with other employees in the city, but if we don't do this, we are going to be in bigger and bigger problems.

Also, remember, every time an officer leaves to go to another city, it's another \$100,000, to \$150,000 to train him, get him here and to get him trained for an extra six months boots on the ground from an officer who has experience and get him into the role. How many \$150,000s do we want to spend out of our budget for training every officer that leaves because they are not compensated adequately?

Wouldn't it be better to keep our experienced officers here in the first place? And I very firmly support the 3% fix and the 5% step to do that, it would take years to do it, it won't be overnight, but if we have a set policy that's clearly defined and that they can depend on, I think that will solve the problem. Thank you.

[Time: 02:49:47]

Mayor Lane: Thank you Councilwoman. You know, the program that other communities have found with the step program as they establish it, they really haven't found a whole lot of morale increase. They haven't seen a lot less problems with their law enforcement agencies, not if you read the papers. Things are in disruption and frankly they have to lay off and reduce staffing and now they are looking to see how they will make that up. Both the cities that are foremost in my mind, Phoenix and Glendale both have suffered through a reduction in their credit and bond rating which cost their citizens more and more. They have had to increase taxes and then tried to commit to reverse that process and we'll see next month whether they are able to do that. They put themselves in a very difficult situation. When we have this dog chasing his tail kind of syndrome, we have a real problem when we are trying to keep track of this.

One other thing and I very much respect what Councilwoman Milhaven said with regard to how this has been handled in the past. One of the things, Brent, and you know, notwithstanding my earlier frustration, I certainly do appreciate all the work that has gone into this, but I will say that I still feel there was a major misunderstanding that certainly wasn't clarified at the end. That's neither here nor there at this point in time.

We are wrestling with the situation as to whether or not we have to reevaluate all of these things now, not given the benefit of maybe a study session that might have afforded us a better conversation on it. But you have to concern yourself with the fixes that we have made in the past, whether it's the average minute or the 5 to 11 years, those things we put in that increased salaries within the range as a fix, substantially on some of these. And they momentarily took care of things. But as soon as we went back to a standard 3%, and as was just indicated and stated by Vice Mayor Milhaven, you had the fire department who created their own fix with those funds, whether it's the way they operate or the way they feel about one another or otherwise, that seemed to be an admirable way of going about it. On the other hand, it doesn't seem like we can ever get out from under a situation of comparison and frankly policies that are on the long term can be disruptive, and possibly even destructive of our city.

So I'm not anxious about following what has seemingly been sort of the recommended approach to this at this point in time, but I'm coming closer to an understanding of what the fix means, and not that the fix is in, but what the fix means. I think that's a programmed way to get the department to force the issue into those areas where it needs to be corrected. If, in fact, we have got a definitive line that we need to meet, certain categories need to be fixed. So no longer are we giving 3% to police management, to discriminate in a way that they allocate it, but not to discriminate in the way they allocate to a fix. In fact what we ended up with, unfortunately, the higher end being over the averages throughout the valley, and the upper end of management, and we still have continuing problems. I think in some cases it might have actually exacerbated the problem even with the

application of those funds. And that is troublesome to me.

So if we talk about a fix in the sense of pay, let's get to the sworn officers that are in the range that this is an issue. This is notwithstanding some of the things I still stand on, and that is that we need to change our policy, that we no longer turn away people because we will not give them credit for time on the job. There's just something fundamentally destructive about that and it creates an environment that creates some of these problems, actually. So that's something, if we were going to be following this, somehow that policy needs to get changed. And I would also say that somehow or other, we have to weigh in as to what the value of other incremental issues that the city of Scottsdale offers to our police department. For our sworn officers particularly.

I think the past fixes, it's almost as the Vice Mayor mentioned throwing money at things with a hope and a prayer that somebody will apply it in an appropriate way to take care of problem and then it doesn't get solved. And, in fact, may exacerbate it because it goes a different direction. So programming a 3% fix, I have come to conclude that may be the thing we need to do.

But then the next question is: Where are we really on a sustainable amount of money that we will budget, not necessarily that it's ironclad. But where is it that we land? This is where I thought we were going in the last study session and that was to a 3.5% step, and that's what I had understood. So where I would stand on this is that a 3.5% fix this year. Now I'm not sure where that leaves us with respect to anything else. If the 3.5% step ends up in each of the succeeding years and we are only talking about a 3.5% or 3% step and that's it. But maybe that's open to some discussion. If we were going to do, that I would actually say, let's take 3.5% and make sure we fix the problem and everybody else can just stand pat. But I feel the fix is probably the avenue we ought to go but I don't believe we should follow suit with the other municipalities in our region who I think are creating a difficult environment potentially and economically for themselves and even in some instances creating a horrific problem even within their own law enforcement agencies. That's probably at least as disruptive as what we may be contending with now. And, frankly, I give credit to the police department for really, frankly, working with this system very well in comparison to the previous years, I think there's been a much clearer understanding that this Council, myself included certainly, really are looking for a fair, equitable and reasonable way to move forward without either damaging our police department or our city or the rest of our staff. I think it's important that we consider them in the whole. They are much revered and I think in most instances they are handled that way and I think it's a positive.

So I would really be much more in favor of a 3% fix and a 3.5% step as something going forward. Now, somebody might be able to define that for me as to whether that, as I understood it, simply the 3.5% step is a starting point in the budget each year. I mean, I don't know whether that's it or whether that's a starting point and it can be considered. If they want to be stabilized and have a 3.5% step and that's where it lays, then I think that's something that should be workable, even though there may be something we have to do with regard to the rest of our budget items or not. I think that's far more reasonable place to be.

And I really somehow would like to see that the distribution of these monies, I suppose if the fix takes

care of it, that's one thing. But sooner or later somewhere along the line the monies that are issued for raises, they need to be fixing a problem and we need an allocation, have a program that allocates it to the problem and not have it disbursed somehow or another discriminately. Councilman Phillips.

[Time: 02:58:49]

Councilman Phillips: Thank you Mayor. I think I remember what I was going to talk about. Okay so what we did before is we fixed the bottom end of the police scale and their pay and we fixed the top end. And basically what we are trying to do now is fix the middle and that basically is what this is all about. Last week we had a study session, the City Council wanted to have a \$175 million property tax bond. So would you say the Council's priority is to put a big property tax on the taxpayer?

Well, Councilman Smith hit the nail on the head. What is our priority? I believe that most residents in Scottsdale, the vast majority, and I actually believe everybody on this Council, most people on this Council believe public safety is our top priority. And if public safety is our top priority, then we have to make steps to compensate that. We cannot just keep kicking this can down the road and we can't talk about \$175 million property tax without addressing public safety and this will fix that. And to Vice Mayor Milhaven's point, fire managed to figure out a way to work with what they got. If we give them this, I agree that they have figure out a way to make this work because we don't want to hear this come back again year after year. And I think that's up to the city manager to work with his departments to make sure that that comes about.

So, again, I think the 3% fix and the 5% step will fix the problem. It will show our community and it will show our law enforcement that public safety is our number one priority, and I think we can move on from there. Thank you.

[Time: 3:00:50]

Mayor Lane: Thank you Councilman. Councilwoman Klapp.

Councilwoman Klapp: The comments related to the 3% fix, I think are pretty relevant from all the Councilmembers. And I was glad that Vice Mayor Milhaven brought up what the fire department did, because I do believe that they had a great way of resolving the problem. So I'm in agreement on the 3% fix with the hope that there can be some conversations within the police department about how that money is going to be distributed, up to and including perhaps even some of the creative ways that the fire department did it by, because we have to pay for this. We are still looking for ways to pay for this 3% fix. And one of those ways could be if police management would discuss forgoing some raises and passing it on to the officers in order to pay for the 3% fix. I think that's something I think should be discussed within the department because you've got to come up with ways to find in the budget that the 1.62 for the fix.

As far as a policy is concerned, as we were talking about it in our last study session I do believe that we need to have a policy. I believe that the police officers are looking for a policy that they can depend upon. They haven't have anything that they can depend upon as long as I have been on the Council.

We have given no assurances that there is going to be anything in the future.

As it has been stated by a couple of other councilman, I'm okay with having a policy of 5%, but I would like to see how that works in the five year budget to make sure that it is sustainable. If we can see a sustainable budget with a 5% step for all of those years, then I'm okay with that as well. So at this point, I would go along with the concept of 3% fix and a 5% step, but I would like to see how we will implement that and how we will pay for it and both sides of the equation.

[Time: 03:03:14]

Mayor Lane: Thank you Councilwoman. That concludes our conversation, at least to this point, that I see. And so we're at a point somebody might have taken a tally on that because obviously, I didn't get it right last time. Councilmember Korte.

Councilmember Korte: Is staff looking for action by the Council tonight on this? Or just direction?

City Manager Fritz Behring: Certainly direction.

Mayor Lane: Sort of like last time.

City Manager Fritz Behring: I don't want to get in trouble like he did.

[Time: 03:03:38]

Councilmember Korte: So someone can certainly correct me but I'm kind of counting the votes here and that it looks like we --

Mayor Lane: Well, let's just do it. Let's just do it.

Councilmember Korte: Motion to direct staff to adopt the 3% fix in 5% step strategy for police compensation.

Councilman Phillips: Second.

Mayor Lane: The motion has been made and seconded. Well, I don't believe your name needs to be up there again. I am seeing no further comment on it, so all those in favor of the motion as has been expressed for guidance and I'm presuming that if I were to be so bold as to say this is guidance right now still. I mean, we have to find out whether this is going to even work. Yeah. All those in favor, please indicate by aye and those opposed with a nay. Nay.

Councilwoman Klapp: I don't think it's working.

Mayor Lane: Okay the tally is 5-2 with myself and Councilman Smith opposing that particular motion.

[Time: 03:05:39]

Vice Mayor Milhaven: I would like to make a motion to direct staff to do similar rigorous analysis around fire compensation and what the history has been of other cities in terms of other employees. I understand Mr. Behring, what you are saying is we can't sustain 5% for all employees but I would like to understand similarly the way we understand for police, fire and other employees understanding we may want to revisit this at some point. Not for the current budget year but for future budget years. Thank you.

Councilwoman Littlefield: Second.

Mayor Lane: A motion has been made and seconded. The guidance item as well. I think we are then ready to vote. All those in favor, please indicate by aye and those opposed with a nay. Aye.

CITIZEN PETITIONS

[Time: 03:06:42]

Mayor Lane: Alright. We have no further public comment and the petitions that were offered were in addition to the petition that's already been filed with no particular additional comment.

City Clerk Carolyn Jagger: Yes, Your Honor, I spoke with Ms. Ziffrin. And she explained all she wanted done was the material she submitted tonight was to have it added to the petition that she submitted a few months ago.

Mayor Lane: Alright. Thank you very much. With that out of the way, we have no other Mayor and Council items. Accept a motion to adjourn.

ADJOURNMENT

[Time: 03:07:08]

Councilmember Korte: So moved.

Councilwoman Klapp: Second.

Mayor Lane: All of those in favor of adjournment please indicate by aye. We are adjourned. Thank you all very much.