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CALL TO ORDER

[Time: 00:00:09]

Mayor Lane: Our March, 27th, 2018, City Council Work Study Session. I would like to call this meeting to order.

ROLL CALL

[Time: 00:00:11]

Mayor Lane: Let's start with a roll call, please.

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Virginia Korte.

Vice Mayor Korte: Here.

Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Present.

Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

Carolyn Jagger: David Smith.

Councilman Smith: Present.

Carolyn Jagger: City Manager Jim Thompson.

Jim Thompson: Here.

Carolyn Jagger: City Attorney Bruce Washburn.

Bruce Washburn: Here.

Carolyn Jagger: City Treasurer Jeff Nichols.

Jeff Nichols: Here.

Carolyn Jagger: City Auditor Sharron Walker.

Sharron Walker: Here.

Carolyn Jagger: And the Clerk is present.

[Time: 00:00:35]

Mayor Lane: Thank you. Just a little about our Work Study Sessions. They provide a less formal setting for the Mayor and Council to discuss and engage topics with each other and the city staff. Work Study Sessions provide an opportunity for staff to receive direction from the Council and for the public to observe these discussions. We do not have any, I guess it's late to the table but we have Public Comment which is a total of 15 minutes. It's unique for us in our Work Study Sessions, which

are described principally for conversations between the staff and the Council, but we do allow for up to five three-minute conversations or at least testimony on the subjects. It looks like we have two here today. But these comments are limited to one item on the agenda and there is only the one item, and it provides, it's limited to one item and see the city clerk for these cards that I have in my hand, if you would like to give us some comments during this session. Speaking and written comment cards, those are the yellow cards over here to my right. And city clerk, Carolyn Jagger and her staff are here to assist you in any way you need. Okay.

ITEM ONE – COUNCIL CAPITAL IMPROVEMENT PLAN SUBCOMMITTEE RECOMMENDATIONS

[Time: 00:02:03]

Mayor Lane: As I said, our one and only item is the, is on this special Work Study Session is the Council Capital Improvement Plan Subcommittee's recommendations and for that, we have presenter Dave Lipinski, our City Engineer. David, welcome. It's nice to have you here. I will go ahead and have you start unless the City Manager has any other comments you would like to make.

[Time: 00:02:30]

City Engineer Dave Lipinski: Good evening. I'm going to start tonight walking you through a few funding scenarios of the CIP requests previously discussed. Council has even them previously and there's been some changes from when this process started, I think back in January is when the CIP subcommittee.....

Mayor Lane: I do this almost every time but I do have the cards I just talked about and we do go ahead right away and hear these cards first. So pardon me for that interruption. But I will start with George Ertel. And next, it would be Alex McLaren.

PUBLIC COMMENT

[Time: 00:03:15]

George Ertel: Good afternoon. My name is George Ertel and I live at 11725 North 129th Way in Scottsdale. On your CIP list, there are two transportation projects shown as roundabouts. The plan to build them on Via Linda at 126th and 128th Streets by Desert Mountain and Mountainside Middle School. Based on the facts the Transportation Commission disagrees. H.O.A. directors in two of the most impacted communities Sonoran Heights and Sabino Estates disagrees and even the police officer that directs traffic at the schools disagrees. Where do roundabouts belong?

Roundabouts are often useful when collisions are frequent, when intersections are congested and when traffic from all directions is fairly balanced. Research shows these conditions do not exist along this part of Via Linda. Here are the facts. Via Linda from 124th to 132nd is safe and safer than the average street segments. According to the Scottsdale Transportation Department, the collision rate is less than two-thirds of the Scottsdale average. Traffic is not congested there. Scottsdale

congestion shows the average daily traffic volume has dropped 5%. It's in the bottom 22% for Scottsdale. The volume to capacity is 30%, ranking it 254th out of 323. We recently surveyed the traffic there during school rush hours. We found three things.

First left turn delays are short. Shorter than what we have in downtown Scottsdale. Second, traffic flows are unbalanced because lots more cars go along Via Linda than turn into or out of the schools and the communities. Director Basha will tell you that when there's a high ratio of through traffic to side traffic, roundabouts do not work well. That's what we have along Via Linda, a high ratio, unbalanced traffic flow.

Three, most school traffic comes from a school driveway in between 126th and 128th. That intersection is handled by Scottsdale police assigned to the schools. One of those officers testified to the Transportation Commission that this works well and that neither of the proposed roundabouts is needed. A benefit he did not mention. The officer is well positioned to demonstrate to students and parents alike that Scottsdale police have a presence at the schools. School hours represent 18% of total hours. During school hours, the speed limit is 15 miles per hour at the crosswalks and 30 outside the crosswalks. During the remaining 82% of the time, it's posted at 40 miles per hour.

So to supposedly fix a nonproblem lasting 18% of the time, these roundabouts would cut the level of service by almost two-thirds for 100% of the time, highly inefficient with no significant impact on safety. Looking at these facts, it's clear that Via Linda is not broke. So don't fix it with roundabouts. I strongly urge the City Council to use the \$5 million on more urgent projects. Thank you.

Mayor Lane: Thank you, Mr. Ertel. Next is Alex McLaren.

[Time: 00:06:39]

Alex McLaren: Thank you, Mayor, members of the Council, my name is Alex McLaren, 7730 East Osborne. I have gone through all of the presentation that's going to be presented to you. So I think it's clear that we have over \$800 million worth of projects in the program that are listed. My recommendation for what it's worth, would be the GO bond, I think \$350 million, plus the sales tax of .1%, I think is one of the options that you will be looking at tonight. There's a graph in the GO bond presentation, which shows the tax levy which exists now and in the tax levy that would be in place if the \$350 million in bonds were issued.

And it shows that the tax levy, the secondary tax levy is, stays level. I think there are clear benefits to all of the citizens of the Scottsdale for the program, especially for the ALCP roadways which if we do not get funding for those, we lose that matching money. So that is a significant issue in your deliberation. I think if you go with the GO bond, we need to put the, put all the projects into bond questions which, I think, would be in the following, a previous, another step that you would need to take. I would agree that we need maps, if you do that, we need maps which show where all the projects are. So for each question, so those people can see where those maps are. I would also urge which we have now, this is a Bond Commission which reviews any changes to the bond program. That should be kept, and obviously any changes to the bond program can only be made by the City

Council. So I would urge that that is kept.

I'm not sure whether that language can be put into the actual ballot language and I'm sure the city attorney would opine on that, but I think it's been a city's practice to have a bond commission. Everything that changes has to go through that commission and then it has to come to the Council as well. What I would also urge is if and when after all of your deliberation you decide to do a bond election that the, that the city produced a fact booklet that would list all the projects, list how they would be funded and what impacts would be to homeowners in Scottsdale. Thank you.

Mayor Lane: Thank you, Mr. McLaren. Next would be Fred Leeder.

[Time: 00:10:04]

Fred Leeder: Mayor Lane, City Councilmembers, my name is Fred Leeder and I live at 12589 East Laurel Lane, we have an HOA board member, I represent our 263 homeowners this evening, who would be most affected by any major changes to the traffic patterns, flows and signal controls on Via Linda including the proposed roundabouts at 126th and 128th Streets.

Right from the outset, I must tell you that we heartily agree with your Transportation Commission, that both roundabouts need to be downgraded immediately to the lowest priority. In fact, we were absolutely flabbergasted to find out that the roundabouts have been considered for at least 128th Street roundabout for several years, because this is not where the problem is, nor is the problem at 126th Street, in front of our gate on Via Linda. It's actually between 128th and 126th Streets, you can tell by the red arrow there. And anyone, like George Ertel who just spoke who recently counted vehicles and observed the school crosswalks at 126th and 128th Streets, the yellow arrows, would no doubt agree. The Scottsdale police officer who was also the middle school's S.R.O. and is there most school days to direct traffic at the red arrow, also agreed at the Transportation Commission meeting, the last one.

The problem is not at 128th and 126th Streets. These, by definition are not even intersections. Roundabouts at either location strongly opposed by our communities would do nothing to help the real situation, and they would do nothing to make the crosswalks at those locations safer for our children to walk across Via Linda to school, largely accompanied at these peak traffic periods. I respectfully urge you to put these two roundabouts on the back burner until there is a thorough study of the entire school generated traffic situation from 124th Street all the way to 128th Street, on Via Linda during school days.

Sonoran Heights and Sabino Estates have collected data that will prove you to that these two proposed roundabouts, that \$2.5 million apiece, would be a total waste of money. Now we think roundabouts have worked very well around Scottsdale, but they would not be helpful here. In fact, most likely counterproductive. We urge you to carefully read George Ertel's submission, detailing our two community's joint efforts to collect and analyze the situation on the Via Linda school complex corridor. And I'm just about out of time. Thank you very much.

Mayor Lane: All right. Thank you, Mr. Leeder. That completes the Public Comment for our session today.

ITEM ONE – COUNCIL CAPITAL IMPROVEMENT PLAN SUBCOMMITTEE RECOMMENDATIONS – CONTINUED

Mayor Lane: So we now will move on to our one and only item and that, of course, again, is the Council Capital Improvement Plan Subcommittee's Recommendations and requests a presentation and possible direction to staff regarding the capital improvement plans, subcommittee recommendations to City Council. And we have presenter Dave Lipinski back here at the table, our city engineer.

[Time: 00:13:39]

City Engineer Dave Lipinski: Good afternoon again.

Mayor Lane: And until I interrupt you again, you are good to go.

Dave Lipinski: Great. Here today to present a few funding/grouping alternatives as has been worked through the CIP subcommittee and brought to Council before, and this is the current version of where the funding sits. I'm going to start with how the projects came forward in January, the changes that have occurred between that time and now, which would give us the baseline of number of projects and funding and unfunded dollar value that we are looking at and then we'll get into different funding scenarios.

As a part of your packet, there was a spreadsheet that was put in there as far as where we are funded today. At the top of this, you have the original General Fund requests. These were submitted in January. There were 193 requests, from that time we've had modifications to the General Fund request portion of that. 15 projects or almost 11 million was funded or is proposed to be funded under the FY '18/19 CIP. Council approved a \$2 per month stormwater fee. It was assumed that that stormwater fee would fund the Crossroad East one project, taking \$30 million off the request.

Per subcommittee direction on February 1st, the Desert Discovery Center and Scottsdale Stadium renovations were removed from the list, to the tune of \$110 million. On March 20th, City Council approved a grant for the funding of the replacement of removing the defibrillators expense, it reduced the funding request about \$1.5 million. It brings the current request to \$380 million on the General Fund side and leaves 87 projects on the within the list. On the transportation side, the only modifications to that list are the 14 projects, roughly \$17 million that are included within the FY '18/19 CIP in total after the request within the CIP, it leaves \$639 million of unfunded requests.

That is where we start today, with the different scenarios. Scenarios we will walk through are sales tax increments. There's .1, .2 and .3% increment. I looked at these, the .1% as a straight number, at 10 million per year that it would generate and leverage into the MPC funding. And there's an option for General Obligation bonds and .1 sales tax with a \$350 million GO bond package. All of this assumes that the \$2 stormwater fee is in effect. It will appear in the top. It's being funded by a

different source. The increments I walked through down the same project list is the .1 used to fund ALCP projects only. The .1 if it's leveraged and also the .2 and .3, it's on the same list as you have seen, it just draws the line further down.

There are no options in this. For not leveraging portions of these. There's a lot of varieties that could occur if a .3 was passed and you wanted to leverage a portion, the rest would be considered PAYGO at that point and could be used in a leveraged passion. I didn't get into those scenarios. There's too many to count. The sales tax increments. I pulled the Crossroad East Phase One out of that. It would begin with project number 18, but it's ALCP funded. You can see the know nation on the left-hand side. These are remaining in the CIP. 22 projects and approximately 70 million. The sales tax of .1% is estimated to generate \$10 million per year and roughly seven years in the ALCP. Councilwoman, Milhaven.....

[Time: 00:18:09]

Mayor Lane: Pardon me. Turn on your microphone and make sure you announce yourself.

Councilwoman Milhaven: I'm sorry. I don't know what ALCP is?

Dave Lipinski: It's the Arterial Life Cycle Program, Prop. 400.

Councilwoman Milhaven: Thank you.

Dave Lipinski: If the .1% was leveraged into MPC, it would continue down the list. These projects are in order of prioritization as were submitted by the reviewing groups and the CIP subcommittee. Continuation would actually go down and include 57 projects cutting off at the true north tributary levy. If .2 is passed and leveraged as, that's where you would continue below this line. So you are considering adding on another \$133 million to that. The leveraging is \$266 million, or roughly 800 projects if they are done in order as proposed. And following up with the .3 sales tax, we take you down to \$399 million or 127 projects. That's the fully leveraged 3%. It leaves 33 projects or \$244 million on the table unfunded. Any questions on the sales tax before we go forward? Do you want me to keep going?

Mayor Lane: Councilwoman Littlefield?

[Time: 00:19:30]

Councilwoman Littlefield: I just wondered on the ALCP, I had some questions when I was reading through on this also. Does the Prop. 400 funding, is there a limit on how much is available to us? And if so, how much is it?

Dave Lipinski: This, our \$70 million leverages \$172 million, I believe is the number. And that is what's programmed for us currently in the ALCP.

Councilwoman Littlefield: So \$172 million leveraged?

Dave Lipinski: Let me grab the right, yes. Our \$70 million leverages \$172 million total.

Councilwoman Littlefield: Thank you.

Mayor Lane: Any other questions? Go ahead.

Dave Lipinski: Okay. The second scenario we looked at is a \$350 million GO bond issuance. The projects were grouped together by division. There were seven projects totaling \$1.8 million deemed non-bond eligible. I.T. projects that are delivered in a software as a service environment offsite, hosted, not on our premises are not considered bond eligible and there are few projects that don't identify specific assets to be gained. Some of them are studies that are not bond eligible either. After \$350 million bond issuance, it leaves 49 projects or \$288 million unfunded. I show it would be funded by the stormwater fee still. Project grouping starts with the ALCP and they are grouped by division below that. Each group having a summary of.....

[Time: 00:21:13]

Mayor Lane: David, just a quick question, I suppose. Of the seven projects totaling \$1.8 million non-bond eligible, are they included in the total for the \$350 million?

Dave Lipinski: They are in that unfunded amount of \$288 million.

Mayor Lane: And typically if they are not bond eligible, are they currently coming out of General Fund.

Dave Lipinski: Currently they are not funded.

Mayor Lane: We must have similar type of programs that are funded somewhere.

Dave Lipinski: Some are General Fund funded.

Mayor Lane: Okay.

Dave Lipinski: Grouping of projects after ALCP, there are two asterisks, the document management system and the one stop community development system. Those are projects that are bond eligible if they are hosted on site. I had a discussion with I.T., and there's, they will have to refine which way they want to deliver that if they want to select one or the other before they go out, if they remain bond eligible. Public safety and stormwater, and we'll need transportation projects occur outside of the ALCP. We separated these out to make sure that they carry through and it's its own grouping.

Mayor Lane: David, can I ask another question on the ALCP items? Are life cycle projects which are periodic. A certain number of them are coming up every year. Is that typically the case.

Dave Lipinski: The ALCP projects were included in the original bond election for the tax for the region. So these projects were identified at the beginning of the program, and they are still, they still are ours to be completed before the end of the program.

Mayor Lane: I see. But these are enhancements or reworks of streets and roads, primarily to extend their life on a capital project that's already in place?

Dave Lipinski: Correct. The majority of these are widenings. There are some turn light editions. There are building capacity to build out and.....

Mayor Lane: Okay. So this would be added to some new items as well as those items that are recurring?

Dave Lipinski: That is correct.

Mayor Lane: But a certain number of these are recurring items and ultimately even the added items would become recurring items under the life cycle program?

Dave Lipinski: As we enhance the roadway sections, yes, they become part of our inventory to maintain within our program.

[Time: 00:23:56]

Mayor Lane: So that's a calculable amount? And it would be recurring. I know we have done it through bond issues, but is that not something that has typically been funded through the transportation sales tax in the past?

Dave Lipinski: A lot of transportation projects have. These are largest transportation projects currently within the CIP. With, there's not enough forecasted transportation sales tax to cover the shortfall on these ALCP items and we have a limited window, the ALCP is set to expire in approximately seven years in 2028.

Mayor Lane: But if it were available and has been in the past to fund these types of things it has on been used for that purpose?

Dave Lipinski: That is correct.

Mayor Lane: Yes, Councilwoman Klapp.

[Time: 00:24:40]

Councilwoman Klapp: Excuse me. One of the speakers mentioned two roundabouts on Via Linda, but I see the 126th Street and Via Linda project on the transportation list. Where is the second one?

I don't see it.

Dave Lipinski: Councilwoman Klapp, the 124th list, let me.....

Councilwoman Klapp: 126th and Via Linda is project number 17 on the transportation list. Where is the other one?

Dave Lipinski: Correct. The 128th Street and Via Linda improvements are included in the proposed FY '18/19 CIP. They are above the funded line. They are projected to be funded with the proposed CIP.

Councilwoman Klapp: Okay. And did, is this something we have discussed, before these roundabouts within the Council, because I, I mean, I live in that neighborhood also, just to be fully disclosed, and I wasn't aware that there was a plan for funding a roundabout in our current budget.

Dave Lipinski: I don't know if there were previous Council discussions on these items. I know they came in as part of the prioritization and run through the CIP process. They were not funded previously. I cannot say off the top of my head if the requests were in previous years and just not funded at that time.

Councilwoman Klapp: Okay. Thank you.

Mayor Lane: Continue.

[Time: 00:26:06]

Dave Lipinski: I think we are towards the bottom of the 350 GO bond. \$350 million bond issuance. It would cover 104 projects total, the way they are organized today, leaving unfunded 49 projects and then they are not bond eligible and \$1.8 million is laying there at the bottom. The third alternative and I have tonight is a \$350 million GO bond issuance with 8.1 sales tax increment. The same assumptions were used in this. There is the \$2 stormwater fee. The same non-bond eligible projects remaining non-bond eligible. We did not put them underneath the .1 sales tax. We dedicated that .1 sales tax to the ALCP projects to cover that.

So the changes in the list, the stormwater fee is up top and this is the .1% sales tax, generating enough for the ALCP projects, and then below that would be the \$350 million GO bond issuance. What this does is this adds those next projects down the list that were just outside funding arranged previously. I highlighted them in light gray. They may be a little hard to find but it does add several projects to the list across different categories just by the way they were ranked consecutively. So the bottom line on the .1% sales tax with the \$350 million GO bond, is 152 projects or leaving 31 funded or \$231 million unfunded and the seven projects that are non-bond eligible are also not funded in this scenario.

Mayor Lane: Yes, David, I'm sorry, are you through with your presentation?

Dave Lipinski: That's the scenarios I had to bring forward.

Mayor Lane: Thank you. What I will do, pardon me, Councilman. I think one of the things that was projected and asked for by Councilman Phillips was he wanted to give at least a little bit of a summary of something that he had talked about last time. Councilman, if you are ready to do that, and David, I will follow with you.

Councilman Phillips: Thank you, Mayor. I mean if David has a quick question.

[Time: 00:29:01]

Councilman Smith: I do have a quick question.

Mayor Lane: Okay. Fine.

Councilman Smith: I do have a quick question. I think this last schedule ended funding \$335 million. Was that because the next project that would go on there was a jumbo project that put it over 350?

Dave Lipinski: Councilman Smith, that's correct. We did not reorganize to try to shuffle numbers. We went down the list as ranked, depending which scenario.

Councilman Smith: So we would pick up \$15 million of other projects and scoot them up here to fund them or whatever. Okay. Thank you. I understand.

Mayor Lane: Thank you, Councilman, I'm sorry. Go ahead, Councilman Phillips.

[Time: 00:29:39]

Councilman Phillips: Thank you, Mayor. Brian, can you put the first slide up? And we're going to hand these out to the Councilmembers so they can see it. What this is, is, as you know, the previous Council meeting, I didn't say anything about after staff's presentation of what the subcommittee had done, and I didn't say anything, because I had way too much to go over on paper and in my mind. So that's what this is going to be here. I will use that one up there. Unless I get one. Okay. Thank you.

But let me just say right before we start that when I was first asked to be on the subcommittee, my first reaction as they want me to be on the subcommittee to convince me they need to go for bonds. And I thought, well, you know, if that's the case, good luck. But I'm willing to learn and listen and see what happens. And so we did all of these subcommittee meetings, six months or more of them. And personally, I have learned a lot, and staff has done a great job and Councilman Smith, and Councilwoman Korte have done an excellent job. And I'm proud to be a part of it. I really am.

But to me, I felt like if I'm going to be on this, what I have to do is think of the best way of going about doing this okay, bonds are great and there's no other way to go. I asked the staff in the subcommittee meetings about other ways to go and other ways to fund things. We did briefly go through them. You know, at the last Council meeting when staff basically pushed the bonds and everything else was bad and Council was 6-1 for bonds, you know, it just looked like, I felt like the, you know, the sinking ship or something. It was just, I think what we need to do is think about this strategically and this is not talking about not having bonds or anything like. That it's more talking about how we will go about doing it. And I think the past bonds that have failed in the past, we need to look at this. So I guess I will try to explain it while I'm going through these slides and I only have 72 slides. So we should get through them pretty quick. I'm kidding.

So, I guess, opening slide. So the next slide, Brian. So there you go, thinking strategically about taxes, number one sales tax and bonds are different uses. Number two, residents are equally divided on how to be taxed and adding both is not really an option, which I will show you later. Next slide. So slide three, not all taxes are the same. You know, the way I look at the sales tax uses are generally for smaller projects needed annually, keep the rights on projects.

Projects that are not bond eligible and transportation, I think most residents accept that as a sales tax use. And I believe that bond uses should be for the big projects that are never going to get done without a bond fixing a bridge. Scottsdale mall, you know, things that are so high it would take forever to save up the money for it and you have to bond it. It makes sense. With that in mind, Scottsdale has the lowest sales tax rate in the state. If you take off the Preserve tax, which by the way is a bonded tax and a sales tax, we are only 1.3. It's the lowest in the state. The next one.

[Time: 00:33:29]

Mayor Lane: Let me just address a question that was just raised. In that this is Councilman Phillip's presentation of his thoughts on it, just as it would be for any one of us, it's not necessarily that this, I guess I would ask the question at the same time, but I don't believe this is required that this has been presubmitted to the public?

Mayor Lane: And is it required that anything that we work with here in the deliberations that we presubmit it? Okay. Thank you very much. I appreciate that.

Councilman Phillips: Thank you Mayor. That's a good point. I looked at it as my turn to speak and it was easier to do it this way than try to remember everything. So that's why I put it in a PowerPoint. So let's see. Slide 4. So here I did an unofficial survey of 100 people via Survey Monkey and while the bond was slightly favorable. I think it shows the voters will go for both. It's not that big of a deal with only 100 people, one person can skew it that much. But I think more importantly when you look at this, what it shows is that one, you know, you are almost divided equally and if you are going to go to the public and should it be a sales tax or a bond? But the response to both is not very good. I think if we brought it to the public for both, it would not go over very well. Bonds can be good but not perfect. This is, again, my opinion and what I learned through the CIP subcommittee. Is that, you know, property values can increase over time. And what it does, so

does your tax. The sales tax remains the same. That was, city commercial pays the majority. Okay. Those who say that commercial pays the majority, that doesn't really matter because they pass the costs on to the consumer or the renter anyway. The homeowner can't do that with his tax and the sales tax is a straight rate. You don't pay interest on it, unless it's bonded and it won't all go up also.

[Time: 00:35:53]

Slide 6. Bonds and homeownerships. Residents can lose their home. I had 14 Scottsdale residents lost their homes to tax lien foreclosures. What happens there is, mostly, you know, elderly, easy word to say, paid off their home over their last 30 years and they are living there comfortably except for the tax never stops. As people keep adding on to the property taxes it gets higher and higher. And as the property values go up, so every six month they get their tax bill and they can't pay it. Another six months they can't pay it and it gets behind, and that happens really, really badly over the decline.

Over 400 over the entire metro Phoenix lost their homes for tax liens. Nobody lost their home from sales tax. The principal and the interest, people may be able to pay the principal but when you throw the interest on it, it throws them out of the curve and they can't afford a hoax. The, a home. The other argument, it's only \$37 a year, it's \$3,000 to \$4,000 a year, depending on the value of your home or over the life of the bond is what that is. So \$300,000 homeowner pays on average 3,487 for new bonds. He can say, well, it's \$37 a year, and that doesn't sound like much, but it is over the life of the bond. The other point is that the schools and the counties constantly add on to their property taxes. And the property tax gets to a point where people just can't afford it. And it's sad to say that someone could actually lose their home over that.

So seven. So sales tax is a good solution. It changes the Prop. 400 funds and you can use it for transportation. So okay. The other thing about that is if it goes into that, and you free the transportation, it frees up projects that you can now add to a bond because they are in the sales tax instead. And as Mr. Lipinski, we have to use it before the Prop. 400 goes away. Especially if we run it with 7-0 Council vote.

So slide 8. Okay. And now, this is entirely an assumption because any large purchase would skew this. The point being is that it's not really more than a bond. You know, an average would spend \$300 a month, at 3%, is a \$46 increase in their sales tax. That will never go up. It will always remain the same because it doesn't go up with your property, like a property tax would. And I would like to point out too, I have heard a lot of arguments about the regressive tax, the sales tax is so regressive. And excuse me for saying this and I will probably get some feedback, but the very poor have government assistance in the form of debit cards. They can't look to say, oh, I can't buy bread, it used to be \$1 and now it's \$1.02, and I can't really afford it. That doesn't really happen.

However, in this process, I will agree that we can get rid of the food tax for home consumption, which would make the sales tax less burdensome if you believe in the less regressive portion of that. Here we go, this is what I propose. 3% sales tax that would be put on the election this year, in November.

And you can see there, it would be.....

Mayor Lane: You do mean .1%.

Councilman Phillips: .1%. .1%. .1% for transportation, which is used to get the Prop. 400 funds and put transportation into the sales tax. Which is crucial. We have to get that no matter how we go about it. And 1% which would offset the food tax, and fund elimination of such. And if you go to the next slide, I talked to legal department, and they were willing to show me what the ballot language would look like if we did, that the 3% and took out the food tax and they agreed that we can do that. It is not, like, double dipping on one ballot question, that we are allowed to do it in this way. So there you go and a yes vote should authorize the Council to adopt an ordinance that would eliminate the tax for food for home consumption and increase the rate of transaction privilege use tax to certain other taxable activities by not more than .3%.

[Time: 00:41:36]

So slide 10 or 11, I mean. So with the sales tax it opens up more capital for a bond. One is south Scottsdale Indian Bend Wash improvement, that's currently being studied and it will probably end up about \$30 million and that's for staff to come up with. But that's not on the current bond if we did a bond right now but that's a project that needs to be done. But we can get this study done and get it on a bond in 2020. Central Scottsdale, the Scottsdale mall renovation, you know, \$10 to 15 million, who knows. That wouldn't be on the bond either, but that needs to be done. And what I would like to do later, if I can get this discussion, the north Scottsdale is bring back the discussion of the Brown Belt to contain flooding and I won't discuss that here because it's not part of it, but I would like to see that happen.

So my proposal, increase the sales tax by .3, to get rid of the regressive food tax. And in 2020, it frees up projects and then we can go to bonds to address the bigger projects. Now, if I can possibly get consensus on this plan, not only would I be enthusiastic about getting this on the ballot, but I would be enthusiastic about a bond in 2020. The reason I'm looking at it this way is I want to let you know I'm not against the bond. I don't think it's the right time. I feel like in the past, you know, we have been through bonds. They failed, failed, failed. And so we need to look at it more strategically. I think voters would go for a sales tax increase of only .1% to get the transportation funding. And then in 2020, we will have large project that benefits everybody.

The reason I point out those three is because the south will have Indian Bend Wash project and north will have the Brown Belt if we have that discussion. So, I feel like this is a more strategic way to go out doing it, and as you can see, I have learned, you know, bonds are a good thing for a lot of good projects, but I think what we need to look at is more of a strategic way to go about it. And I'm hoping that this is the way to do it.

Mayor Lane: Thank you, Councilman. Yes, Councilwoman Klapp.

Councilwoman Klapp: Maybe I missed it. Did you mention anything about sunseting this sales tax

or is this continuing?

Councilman Phillips: I did not mention sunset, but if there's consensus, staff can bring that back for discussion. If you bond any of that, you probably couldn't sunset it until the bond was paid off.

Councilwoman Klapp: So your proposal would increase the sales tax in 2018 and continue on and then adopt a bond election....

Councilman Phillips: In 2020.

Councilwoman Klapp: With the sales taxes still increased?

Councilman Phillips: Right. The sales tax is really handling transportation so we have taken that out of the equation now. When we go to the bond, we going to the public with projects that they want to do, rather than projects that need to be done anyway and they have the argument, where did you spend the money? You should have been doing them. We are 1.3%. We are the lowest in the state. And if we go up, we are still the lowest in the state. And this is \$70 million.

So you can see, and, in fact, I talked to Hugh Hallman and if you remember him from Tempe, and he told me, and I was surprised to hear this, that Tempe raised their sales tax from 1.3% to 1.8% and with that, they got Tempe Town Lake. They got the light rail which was a shock. And they also got the performing arts center, all with the sales tax. Now, I never would have went for that, but it goes to show you the power of a sales tax and that was only, you know, .5%. And we all know in Phoenix, when they did that, when they did the food tax, how much, you know, they raised \$1 billion with it. So I'm asking for a very modest increase in our sales tax. We'll still be the lowest in the state and handle our transportation projects and we'll be able to get the regressive food tax off of home consumption. That's what I got out of my days on the subcommittee.

[Time: 00:46:30]

Mayor Lane: Now, thank you, again, Councilman. I know we have some follow-up issues from staff, as far as in issue and the recommendations made in the last meeting as well. But given the fact that there was a lineup by David of various options that we were looking at, I think that's reasonable. I don't know whether, and I ask the City Manager to weigh in on this, whether or not the follow-up would be beneficial for us to get through before we have further discussion on various proposals as to how we might forward on the funding.

City Manager Jim Thompson: Mr. Mayor, I believe it would be wise to continue with the presentation to get to that portion. I think it goes into the historical costs and that of which the property tax and the sales tax, what we could bond against and what it would generate and go in-depth and follow back around with discussion on sales tax, on property tax and on a variation of maybe all the above.

Mayor Lane: Okay. Just for record, at this point in time, certainly conceptually, I think I personally have some agreement with the direction you are going, Councilman Phillips, but I think we will leave it

to further discussion if it's okay with the rest of the Council until we review some of the other finer points that are a product of the staff's work given our last meeting on the subject. So with that, I certainly, Mr. Thompson or to Mr. Nichols, whichever, which way, if there's any further comment or if you would like to continue on, if you had some other comments, Mr. Thompson.

Jim Thompson: No, sir. I will defer to Mr. Nichols.

Mayor Lane: Okay.

[Time: 00:48:23]

City Treasurer Jeff Nichols: Mr. Mayor, members of Council, CIP subcommittee follow-up, if you would, Brian. So the Council wanted clarification on revenue projections for food tax. And they also wanted some historical revenue information on stormwater fees and secondary property tax levies, given the tax on food. You see fiscal year '17/18, the adopted, the for left-hand column, we were projecting \$39.9 million over a five-year project, that was a year over year change estimated at 3%. We have faced the 18/19 proposed to \$6.8 million in the middle column based on our current revenue projections this year and forwarding them to next year and then we are also changing the year-over-year change to be in line with information that we use for food for home consumption at just 1% and you see the decrease in the total of about \$4.8 million.

When we talk about the amount of food tax transfers to the CIP under that assumption, the first asterisk and that's because we are in the second year of a three-year phase-in and only 66.7% of the food tax for home consumption is being transferred to the CIP. But in '18/19, we had 100% funding from that point forward, and we go down and we add in fiscal year 22-23. So then you go to the change, the year over year changes instead of 3% to 1%, you see that we are forecasting \$39.9 million or a decrease of approximately \$6.1 million going to the CIP five-year program which had an impact on that Mr. Lipinski showed the impact on the proposed five-year bond program going forward.

Clarification on those projections, we are having the revenues now collected by ADOR. That's caused some issues that I report in my monthly financial update and the Consumer Price Index we are looking at, we are looking at food for home consumption as the USDA Consumer Price Index, they are projecting, .5% to 1%, and they went with middle of the road on that. For the last ten years or so, and then projecting forward for five years it remains fairly steady and certainly the debt service going forward from '17/18, through 22/23 at \$27 million, a decrease, that's assuming no GO debt.

Mayor Lane: Excuse me, I'm sorry, Mr. Nichols. Just going back to the food tax revenue, that's two-thirds of the amount we had decided by previous policy, decided here by the Council to transfer into the CIP is that right over three years?

Jeff Nichols: Mr. Mayor, we just pointing that out, it's in the second year. So it's at the two-thirds and fiscal year/18/19, we get to 100% of the General Fund sales tax.

Mayor Lane: Okay. I'm sorry. So we'll get to 100% in the third year.

Jeff Nichols: Yes, sir.

Mayor Lane: So if we were to somehow, if we were so stop this process, what is the, and maybe this amount is here, and I'm just not able to decipher where it's at, but what is right now, what is the total amount of sales tax collected for food consumed at home? On an annual basis.

Jeff Nichols: On an annual basis, with the General Fund portions, which are the 1% and the .1% for public safety, it's the \$40 million. What we don't include in there is the food sales, food for home consumption related to transportation, and the Preserve. They are restricted as to use but that would add another .2, 5.5. So that would probably be around \$25 million.

Mayor Lane: On an annual basis, just on that portion that's collected for.....

Jeff Nichols: If the 39.9 is the General Fund portion of the food for home consumption over the five-year program, then .55%, the current Preserve tax and the transportation tax still goes to those funds.

Mayor Lane: You are saying that comes off?

Jeff Nichols: No, it's additive.

Mayor Lane: Added to it. Yes Councilman, go ahead. If you've got any clarification.

[Time: 00:53:12]

Councilman Smith: He's talking about a five-year number and you are talking about an annual number. If you include what goes to the Preserve and perhaps even include what goes into the transportation fund, this is just the 1% piece, right?

Mayor Lane: I got that, yeah.

Jeff Nichols: Correct.

Councilman Smith: If this is 1%, then 1.65 would be, it's almost \$12 million per year if you looked at what's collected for all funds.

Mayor Lane: And that's what I was about to ask, I'm looking at five years to.....

Jeff Nichols: And that's why I was answering in a five-year response, instead of a year. My fault, Mr. Mayor.

Mayor Lane: Okay. Thank you.

Jeff Nichols: So secondary property tax debt, the follow-up on the fees we are currently collecting in the neighborhood of \$900,000, \$930,000. This does not include the increase of \$2 per water account going forward. This is just the current, I believe \$1.10 per month currently. And this is what is raised by that.

Mayor Lane: So then is it fair to say the added \$2 would add another \$1.8 or 9 million?

Jeff Nichols: Yes, sir, it would. As we talked about earlier, after removing Desert Edge and Scottsdale Stadium redesign, we got to the 639.2. And there are some other variations when we started with \$810 million of projects in both General Fund and transportation. We feel Council has provided direction on the stormwater funding. The first project to be funded will be Crossroads East rated number one and then the balance of stormwater projects \$54.9 million would be projected after that project is complete and we see what we have to do. The impact of a \$350 million GO bond on a \$300,000 home, the secondary tax levy is flat or decreases over time. So I do think it's fair to say that it will not increase the secondary property tax.

Councilman Smith: Mayor?

Mayor Lane: Yes, Councilman.

[Time: 00:56:09]

Councilman Smith: Mr. Nichols, if you would put that slide back up. For people that may not be able to read all the fuzzy numbers on there, I think probably the relevant period is only about the first five or six or seven bars, there and that is where they remain flat, that takes it out through 2025 or whatever. And while this is mathematically correct, showing how this trails off over time, I wouldn't want anybody to think that this is the first and only bond that we'll ever ask for approval for, but it may be when it starts to dip down, we will come back and ask again, but, so I want to be sure that everybody focused on the right part of that graph, the relevant part, the first few years. The second thing, and you said this very quickly, but repeat it if you would or explain what you mean, because even if home values go up dramatically this number does not increase. It's a levy rather than a rate.

Jeff Nichols: That's correct, Councilman.

Councilman Smith: Explain that difference to the public.

Jeff Nichols: The difference is when we have a levy, it's just a dollar amount. We tell the county how much we need to collect in secondary property taxes, and then the rate is calculated. But it's on the existing homes. It's on the new development. And they calculate the rate. So you are absolutely correct. With new development, this homeowner may actually pay less than they are currently paying because we are just going to collect a levy, a set dollar amount, the same as the primary property taxes just a set dollar amount.

Councilman Smith: And so if your home is, in fact, \$300,000 today, and your tax is \$180, if good

fortune looks upon you over the years and it goes to \$600,000, your tax will still be \$180? That as you say, with new construction it may be less than that.

Jeff Nichols: That's correct, Councilman. This is a graph. We feathered in the \$350 million GO bond program. We had a bond program that was done in about 10 years and then we had another significant bond program that was completed in about a 10-year time frame. But here's the dollar amounts versus the graphic amounts. Some of the pros of the GO debt, again, it leaves secondary rates level or declining, contributions by businesses, nonresident property owners and property owners.....

Councilman Smith: Mayor, if I may. On that first bullet, don't you mean levy rather than rates?

Jeff Nichols: Yes, sir.

Councilman Smith: And again, the distinction is it's asking for a dollar amount and not a percentage. The dollar amount will remain level.

[Time: 00:59:18]

Jeff Nichols: As was mentioned in the call to the audience, we have a citizen task force, and the infrastructure is delivered when needed and it increases the capacity to invest. Those who benefit pay for the improvements. It ensures matching funds benefit our community, not only for the ALCP but for some of the stormwater projects. As far as the cost of capital, this the lowest cost of capital that we have. Another good thing about the secondary property tax, it's a non-elastic revenue source and it's a progressive tax. Meaning those who have the nicer homes and the ability to pay more will pay more under this program. The cons of that, the borrowing cost, it does increase the cost of a project by the interest payment. Certainly limits future flexibility, but as was noted with Councilman Smith, bond programs have taken place on average about every ten years. It may increase revenues. If we build a new fire station, we won't have the ability to ban it and operate it. And once the program is complete, you need a new authorization from voters.

On sales tax financing, it was discussed earlier, by both Mr. Lipinski and Councilman Phillips, .1%, .1% of 1%, produces \$1 million. We can leverage that to an MPC bond program of approximately \$133 million. Current permanent sales tax rate is the lowest in Arizona and I wanted to make that point. It's the permanent sales tax rate. We have the lowest in Arizona by .2 of a percent. We can deliver the infrastructure when needed and maybe fund operating impacts as well. That's one of the pros of a sales tax funding.

And the sunset provision may provide capital on an ongoing basis and ensures the matching funds benefit our community, taxes that they already paid. To a great extent, businesses don't pay sales taxes. People do. It's an elastic revenue source. We saw that in the great recession, we had quite a bit of loss of sales tax loss over that period of time. It is a regressive tax, especially when compared to secondary property tax and about 15% is paid by visitors.

Mayor Lane: Yes, Vice Mayor.

[Time: 01:02:01]

Vice Mayor Korte: Could we not also say one of the cons of the sales tax funding is the cost of MPC bonds are the, the rate is higher than a GO bond?

Jeff Nichols: Vice Mayor Korte, the rate of MPC debt is 7 to 9 basis higher than the GO debt.

Vice Mayor Korte: So that would be another con for sales tax versus bond, GO bond?

Jeff Nichols: Yes.

Mayor Lane: Councilman Phillips.

[Time: 01:02:31]

Councilman Phillips: Since we are pointing things out and you have only 15% paid by visitors but one thing about Scottsdale is that we are a city that brings people here. People come in here. When you say visitors, maybe you are talking about tourists or something from New York, but we have a, it's different than in other cities because we have all of this influx of workers every day that come in. So I don't know where you got the 15%, but I'm sure it's much higher than that.

Jeff Nichols: Councilman Phillips, that was taken from a property that was prepared by the tourism economic report, the last one we got.

Councilman Phillips: So that's tourism.

Jeff Nichols: And the definition of tourist, I believe, I would have to look at it. Whether that included people outside of a 50-mile radius were considered tourists or within a 50-mile radius. I just don't know the geography related to it.

Councilman Phillips: Right, but in order to put something there, you really need to add how much is also paid by people who work here. And that's totally different. So it could easily be double that.

Jeff Nichols: Good point.

Mayor Lane: Councilwoman Littlefield.

[Time: 01:03:51]

Councilwoman Littlefield: Do you know what type of interest we would be charged if we wanted to use the sales tax money and get MPC bonds using the taxes, the dedicated revenue source?

Jeff Nichols: That would be determined by the market, but in our \$350 million GO bond issuance, we had assumed a 4.5% interest rate which is probably currently a conservative rate. I think it would be lower than that. So MPC bonds won't be too much higher than that. Maybe 4.6%, versus 4.5%.

Councilwoman Littlefield: So it's roughly equivalent?

Jeff Nichols: It's a few basis points more.

Councilwoman Littlefield: Okay.

Jeff Nichols: And that's the end of the presentation.

[Time: 01:04:46]

Mayor Lane: Okay. I have a couple of questions, Jeff, if I might. And one is within all of these lists of capital projects we have a combination certainly of transportation projects, and some as we talked about on the, the ALCP projects that are sometimes recurring, sometimes they are referring to new projects as we go forward but there is a component that's recurring extending life all the time. It's periodic and trackable and quantifiable. All of those things that we might want to be able to isolate. What I'm going to ask for is if we can get a list of those projects that are strictly transportation projects.

Now, some of those are going to be big. Some of those are going to be small, but if there is something that can designate them as recurring, and calculable, you know, they are not subject to a one-time, one-off kind of expenditure, let's see if we can't get that quantified. The other is, those projects that are within this list, that are potentially fundable through tourism development funds under our current program of funding tourism capital infrastructure and removing them from this list.

Jeff Nichols: Second, the tourism funds, I believe that's why we took the stadium improvement project out of the mix.

Mayor Lane: Along with the Desert Edge, I believe.

Jeff Nichols: Yes. Yes.

Mayor Lane: Okay.

Jeff Nichols: Well, I believe the majority of them have been.

Mayor Lane: And maybe that's so. I guess I, just a little concerned. If that's the singular reason that they were taken out, not just that they were large projects or otherwise, then that's, maybe that satisfies that second request, but I would certainly like to have a review for other things. And I will say specifically to the point of the project that's contemplated and I had, I did not necessarily isolate it in this list, but as an example, what we might do with the Civic Center plaza as we name it now, which

is a large project. It's either transportation with a bridge and/or tourism. And I would like to see if there isn't a way to sort of isolate that as well, if, in fact, that's the one and only other one.

But I would like to have that looked at from that standpoint because I, I think one of the things that you just listed here and that pretty much has been determined by this Council is that we have stormwater funding that is going to add another \$1.9 million to the equation in any case. I think that has been previously agreed. So that's a factor we need to at least feather into this in calculating how we apply these funds.

The sales tax on transportation, as you well know, the .1% that is currently in place, 50. it's a 50/50 divide between general and administrative costs and projects. I would like to see what we would be talking about. Certainly if we added something to the transportation sales tax that has been at least suggested in both David as well as Councilman Phillips' presentation. That we determine what level of funding we can have for transportation as well as the matching funds that are necessary. I have my desk right now, a need for some \$2.3 million for the underpass at Miller Road. And we got a break on that one, but nevertheless something that has to be done. I think it might be in the current budget. I might just ask whether that is. Okay. So we have got that covered.

So that's, it's an example of things that come up, certainly, but we're ahead of it in any case. So the stormwater and the tax on transportation, I personally think that the \$10 million a year, which would, is bondable to \$133 million, but it might be something that rather than just using it in bonding, it would be used periodically for those things that we would need to cover, and I would like to see a quantification of those annual expenditures and that no portion of that, if we were to designate it on the ballot, that no portion of that would go to general and administrative. It would go to projects. Tourism-related bonds. It looks like the majority has been taken out of that.

[Time: 01:09:34]

As for the suggestion that we replace with the sales tax increase another .1% to mitigate the costs or the loss of the sales tax on food, I think this is something I would like to see weighed out specifically as to how that would land. If I'm looking at \$10 million, I know these are rough numbers on a .1%, \$10 million a year and the food tax is 11 to 12, we may end up netting a loss on that calculation. Just to see where that stands. And what we're here to do today, is to give directions as to the things that we may need in order to continue to determine what direction we may take strategically or otherwise. And beyond that, I'm still an advocate and I know it's been persuasive arguments on both sides as the advantages and disadvantages of sales tax funding versus General Obligation funding.

My primary concern and frankly, advocacy for General Obligation bonds is we do pay off our debt as the graph does show. Frankly, we are always paying off the debt. It's not like we are sitting on something and we refuse to pay it as sometimes is accused, we are accused of. That's always being paid off as a matter of course through the revenue streams assigned to pay that off. But General Obligation bonds, they are automatically sunsets.

There are two components that I think are very favorable for our community. One is a decision to

vote for something, for the welfare of the city and maintaining its projects and the other thing is when that project is done, decided on and it's voted to do, it's, it's done. We don't, we don't have a continuing development of a source of catch that we had to find something to buy. And I'm being a little facetious when I say that. With sales tax increases, we all know that it doesn't ever go the other way and it may accumulate beyond what our needs might be. And so we find ourselves potentially flush with cash. I guess we would like to see that day right now. But nevertheless, that's, that's the other side of it. So a combination of sales tax on transportation specifically.

The stormwater funding, exactly how that translates into solving our problem or at least addressing it. The tourism-related projects that may still be in this list, that may be removed from and considered separately. The transportation tax that I'm talking about of .1%, and that, that may be determined by to what extent this list is made up of transportation projects. It may be that it's more to it than that. And exactly what the mitigation of another .1%, or at least eliminating the food tax from the CIP which it's going into eliminating that.

What is the next result on that. And beyond, that I think we are looking at a bond issue strategically as Councilman Phillips mentioned, I do think this would be important to, there are some things that we definitely need to get addressed immediately or as soon as we possibly can. And I think, I vote for transportation on that. I know there's other meaningful and important projects, absolutely. But that's one of the areas that I, one of the greatest concerns of as we even demonstrated last week, with the bridge that needs to be rebuilt. So we're faced with some things that are right on deck with it. So having that on the ballot as soon as possible or the bond issue possibly to follow. I would prefer not to have a special election on it because, just because of the cost, among other things but that would be my scenario as far as that is concerned. Still looking for information, but that's just sort of an outline on it. Yes, Councilman Smith?

[Time: 01:14:08]

Councilman Smith: Well, I think the first thing that, that I will point out. I mean, you know, we have spent a lot of time looking at the projects and we had \$800 million of projects that were identified and we did pull out a couple of big projects because they were in all likelihood going to be funded by the tourism fund. And then we did pass the increase in the stormwater fee and we could pull out the Crossroad phase one. And all of that brought it down to \$639 million of needs and that's what we are trying to address here. I have a, I have a preference, I will say, for the bond as a funding mechanism. It is for all the reasons you said Mayor, and I won't repeat them, it's tied to the projects and so on and so forth.

But the problem I really have with going with something other than a bond that gives us an immediate funding capacity. If we go with the sales tax, it just doesn't generate any meaningful amount of money year by year, unless we leverage it and when we say that to the public, what we mean is we turn it into a borrowing and then we pay it off with that revenue stream. And if you are going to turn it into a borrowing, then wouldn't you do a lower cost GO bond to begin with? My point is this, if we, if we, as you have proposed here, take .1 of sales tax, and dedicate that to the ALCP projects, because they are both urgent and there is large, large matching dollars that we will lose if we don't fund those

projects.

That's fine but to fund the other things with other increments of sales tax I don't think it works unless you leverage against it or borrows it. And why would you do that, borrow against it if you could do it with a cheaper GO bond. I have a great deal of sympathy for any proposal that talks about getting rid of some of the inequities in our sales tax, particularly the inequity for charging for food purchased at the grocery store. And we could spend the whole night talking about that and I obviously applaud anything that says let's get rid of that some way or another.

I will go back to why I prefer a bond. I prefer the GO bond very simply because it's tied to the projects. It won't increase the property taxes of the people. We can show them that their property taxes will not go up in the next five years or whatever time frame we pick. It won't go up because their houses have gone up in value. It won't go up for any reason. In all likelihood it will go down. I think it's a good story to tell the people.

Just let us keep your property taxes at the same \$172 or whatever the number was, and with that, we can reinvest significantly in your city. We have had numerous discussions about how we need to be investing on the order of \$100 million a year just to stay even with the depreciation that we are incurring on existing assets. And so we have to have, we have to take a bite out of this and we have to do it now. I don't think we can wait two years for that. We, in my judgment, of course, waited too long already. I'm anxious to go to the voters. I'm anxious to say, give us your positive vote here. It's not us imposing the tax on them. We are asking them to impose the tax on themselves to take care of their city and their investment in the city.

[Time: 01:18:38]

I have said before, I'm a strong proponent of GO bonds because it's the only way that we get a contribution from the business community and from the nonresident property owners, the people would have investment properties here in this city or even the snowbirds for that matter. If we don't have a GO bond, those folks don't pay sales tax. Maybe the snowbirds pay for the few months they are here. The other folks don't pay sales tax. If we want to have participation by the business community and by the nonresident investors, it has to be in the form of a GO bond. And it is a progressive tax. That is I think you pointed out Mr. Nichols, it's, you know, your ability to pay. You will pay more if you are able to pay more, but more importantly, if you can't afford to pay, you won't be assessed in the same way that some of the regressive sales tax things assess you.

I do have a couple of questions. Maybe I should have started with the questions or stated my position on some of these questions. One of them is will this, if we have some kind of a sales tax fund, will this be a dedicated fund? I mean, not usable for anything else? And I'm, I don't know who I'm asking that question of, but maybe it's the City Manager. We have such a fund right now for the transportation group, and it's dedicated. Will this be the same thing?

Jim Thompson: It depends how you ask the question. If you ask that it is specific and dedicated toward specific purpose and voted in accordingly, that's what it would be held for. If it's just in a tax

reform, or change in the sales tax rate to be used for general purposes, then that's how it's voted and it's voted in, then it's at the discretion of Council of how we determined to use that on an annual basis. So our current accounting policies are those which may change into the future.

Councilman Smith: Well, then, I will state my preference. If we do have sales tax as a component of this, at least the portion that we were talking about using for capital, I would want it to be dedicated to capital and the same way that the current transportation tax capital piece is dedicated. I would also want my direction to you would be that we memorialize this CIP citizens oversight group, and communicate to the voters that we are going to do that, that there will always be a citizens oversight group to look at the capital spending plan and make recommendations to the Council. I think the other question that you have sometimes raised. If the capital project has an impact over on the General Fund, we build a fire station, and suddenly we have got to put people in it and so on, if these projects created an adverse effect in the General Fund, is there some notion that you want to try to cover that or with the sales tax or, and, again, maybe that's to the general manager, the City Manager.

[Time: 01:22:09]

Jim Thompson: Mr. Mayor, Councilmember Smith, yes. It does create an operational concern when you build capital or if you build roadway, then we have no maintain it. As you noted earlier with a \$100 million concern associated with just depreciation of the current assets without adding new assets this is that additional cost. It's an operational expense, although not a cash outflow. It is a booked expense. So in addition to that, of any additional maintenance costs.

A couple of thoughts that we have had, is that we looked to future dates and then we can use some previously scheduled study sessions to get into the depth of operational side of this equation. If we are looking at sales tax and we need to come back and revisit, it may be a time to do sales tax reform, look at the operational side. If your desires are to go with GO debt, my thought would be to ask that the amounts that are leaving right now, associated with the food tax, if you are not doing any reform to sales tax, if that food tax goes back to the General Fund, since it would no longer be needed in the CIP, for operational purposes associated with that.

And that's what I would look at and make that recommendation, is that we move back. We will move the last third this year, which is roughly \$7 million to the General Fund. Operationally that we had to absorb from those operations. If you go and add additional capital, there will be a cost to that. So I would ask that you move that away from the transfer that's been going to the CIP the last two years and then in the third year move it back to the General Fund so we could have some cash for operational purposes. That would be the, if no sales tax reform or discussions associated with changes to sales tax occurs, you strictly want to go with GO bond, that's probably the easiest and simplest to get it intact, as is.

Councilman Smith: Okay. I appreciate your thoughts. And I will add in terms of the sales tax going back to the General Fund, it will be over my dead body. And I don't know how the rest of the Council feels about it, but there's no way.....

Mayor Lane: Well, if anything happens to you now.....

Councilman Smith: I do favor the general bond, the General Obligation bond. It gives us the lowest cost and the best way to fund the projects, and it's the fairest to the citizens not increasing their taxes. I am sympathetic to the idea of I will call it tax reform. I'm not real keen on what was presented tonight, that, you know, let's put another dime in for ALCP projects or whatever we do. I call it a dime, .1%. I would say it's a statement of fact, I would not be supportive of that in any case, if it was also applied to food.

I'm certainly, with all the arguments I have got done to get rid of the food tax, I certainly won't approve the tax that increases the tax on food. So if we end up with a dime more for whatever reason, it has to be a dime with food tax, in my opinion, but I'm sympathetic too with the idea of increasing the sales tax in some increment that allows us to formally and finally and forever get rid of the food tax, and whether that's .1 or whatever it turns out to be. I think I would, I would like to, if we are sort of giving feedback to the staff here, I guess that's what we are doing.

[Time: 01:26:03]

I would like for you to come back with some sales tax reform proposal, that really tries to correct a lot of the problems that we have. I'm not afraid to go to the voters and say that, you know, we have the absolutely lowest sales tax in the entire state and if we want to put the city on a footing in the future that is going to, you know, allow us to compete with our neighbors, we will have to ask for a sales tax increase. I'm not afraid to ask for .3, .4, a half a penny! Even at half a penny on top of what we have got now, we would not be at the valley average. We would be below the valley average.

So let's figure out what, what we're really trying to tell the citizens, not piecemeal it, not pull a 10-cent Band-Aid off here when we really need a 50-cent fix. I would like for you to come back and tell us, how do we, how do we deal with some of the problems that we have in the General Fund? And you know what they are as well as I do, but for the public, the General Fund is paying for MPC debt that was issued for capital projects in the past and it should never have happened and it should never be charged against the General Fund.

The General Fund is dealing with large pension liabilities. We don't know how we will solve those. So you have got a lot of, and even in the area of arts and culture, you know, we are, we are going to lose our edge. I read an article just this past week that Tempe was boasting about what they had done with their .1 of a cent for arts and culture. They built a new performing arts center. We can't do that. We don't have any arts and culture dedicated fund. So my recommendation is come back to us with some kind of honest to goodness tax reform on the sales tax side. Even though my preference, and my vote for the capital program is to go with a GO bond. Thank you, Mayor.

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

[Time: 01:28:17]

Vice Mayor Korte: Thank you, Mayor. I have not wavered from my support for GO bonds. I go back to 1989 when we were able to pass about a \$330 million GO bond measure and being cochair of that campaign. I remember how the city and the leaders got rallied around that bond and we were able to build senior centers and rebuild the new stadium, which is now an old stadium. But did some really good quality things with that, with that vote and we can do it again.

The GO bonds are the most transparent of any funding source. Projects are defined. There's a beginning and an end to that tax. The beginning of the project and when the project ends, we pay that off and we pay the GO bond off and we move on. The cost of debt is the lowest of any funding source and while we might think that one or two basis or three basis points isn't a lot of money, when you accrue that over 10 to 20 years, it's a lot of money. Businesses and part-time residents pay for over 65% of our GO bond debt. 65%! And it is a much more stable source of revenue. It's not as volatile sales tax.

You know, we took quite a hit in this city back in 2008 and 2009, and we're still paying for some of those decisions and those budget cutbacks. We are still paying for some of that in the staffing. And you know, we still don't know what the impact of internet sales are going to be on municipalities but it is, it is projected that sales tax, internet is going to negatively impact the sales tax revenue to cities. Again, GO bonds are most transparent and the oversight citizens committee that we have always instituted for any bond measure will oversee that and maintain that transparency.

[Time: 01:31:02]

I would like to have staff look at a couple of things in these bond projects. We have prioritized the Civic Center improvements to \$5.7 million. I would like to, I would like to see, perhaps how we can expand that because our civic plaza needs help and it's not only the bridge but it's our fountains and our it's our, the whole, that whole civic plaza really needs renewed and investment and we certainly have a study completed with Civic Center needs. So that's been defined. And I would like to see how we can incorporate some of that into this list.

And then I would also like to see staff's response to the Via Linda issue, the roundabouts, the 126, 128, and I would like to understand better what those issues are for the neighbors, and I would like to understand where staff is coming from. I am not sympathetic to an increase in sales tax at this time, I don't think we can do both. I don't think it's strategic. And as Councilman Phillip says, we need to be strategic. I completely agree in a different way but to do both, I think, well, it's, it's just not politically strategic, and over my live body, I do support moving the food tax, the food tax source, the funding source back to the General Fund operation, if we can pass these GO bonds.

Regarding an increase in sales tax, yes we have one of the lowest sales taxes in this state and it's something to celebrate, number one. But I do believe that a future dialogue would be more strategic regarding any type of sales tax increase or reform as Councilman Phillips states, and I would like to see that reform look at increase in quality of life projects and put resources into our arts and culture, because we're getting pounded by our neighboring cities. And, and perhaps that sales tax could look at, be an answer to some of our pension issues too. So there's a lot of things to move on that. I

think it's more than just a month dialogue or two-month dialogue because if we are going to move forward with that bond, I know we need to make that decision by the end of May, I believe. City clerk, is that true?

City Clerk Jagger: Vice Mayor, that would be the absolute drop-dead time. I think staff is hoping for something a little sooner so that we can get the information out to the public as quickly as possible.

Vice Mayor Korte: Understand. Completely understand. So we really don't have much time to have dialogue around tax reform. But we have had dialogue around a list of quality projects that have been vetted not only by staff but the CIP subcommittee. We spent, the committee and the staff has spent over a year talking and reviewing these projects. And, and Mayor, I hope there's nothing in here that bed tax can fund, because, because that's not, you know, that's something that we did look at. Any projects that were available, you know, had other funding sources available.

[Time: 01:35:29]

Mayor Lane: Well, Vice Mayor, since you mentioned that, what I was referring to is the plaza.

Vice Mayor Korte: Mm-hmm.

Mayor Lane: And I think that may be a combination of things, as I asked, to isolate the transportation aspect, because of the bridge, as well as essentially the tourist attraction component of it. It may or may not be, but nevertheless, I would like to make sure that we have as clear of a distinction as possible. But if there's anything else too, I certainly would.....

Vice Mayor Korte: And allowing me just to complete.

Mayor Lane: I'm sorry.

Vice Mayor Korte: That's okay. At this point, I'm favoring GO bonds and a future dialogue whether that's in 2019, whether that's in the latter part of 2018, preferably in '19, and going into 2020, that we have a conversation around the quality of life sales tax for future projects along that route. Thank you.

Mayor Lane: Thank you, Vice Mayor. I was, certainly, I want to reiterate for myself, I favor the bonds on large projects. What I'm most, but I am concerned about, maybe not most concerned about because the entire subject is of great concern. And that is all of those areas where we need immediate funds and funding mechanisms, not for giant projects but for matching funds, whether our transportation sales tax was meant to be years ago. We run short on the projects, but we fund the administrative side on an equal basis.

The idea that we'll lose over the next few years, potentially millions of dollars that have been allocated to us, and there isn't any doubt in anybody's mind that Scottsdale by virtue of what we get from Prop. 400 and that is the regional sales tax, we are relatively short changed on any basis only simply because

the extent of the projects that are available for us to complete on that scale on a regional basis, versus some other cities that are more in a development stage. So losing it, I won't illustrate how it's been illustrated to me, but it can be a fatal mistake and sooner or later, those funds call off the cliff and they are redistributed to somebody else. So that's a concern with the transportation and that's why I think the sales tax is an issue there of getting that into place. So, and one other thing that I heard and David, maybe you could explain this to me. You are saying even though I did not see in your presentation, the stormwater fees indicated, as part of the funding mechanism for the projects, that's already incorporated into this?

[Time: 01:38:32]

Jeff Nichols: That's correct.

Mayor Lane: Oh, okay. I'm sorry, Mr. Nichols. I went to the original portrayal.

Mayor Lane: But in any case, so that's already, that's already considered and that's not part of the, it's no longer part of the answer. And to that point, though, impact fees and those stormwater fees, are they dedicated to the projects that they are specifically aligned to? The projects as well as the, I mean, the property and the development on impact fees but also to a project of stormwater project?

Jeff Nichols: Yes.

Mayor Lane: Okay. So they may not even be in this list at all?

Jeff Nichols: Well, the one is shown, the Crossroads East. I'm talking about the \$2 increase. They would be dedicated to those projects.

Mayor Lane: Yes.

>Jeff Nichols: Once we find out what the true cost of the Crossroad East is, there would be funding of approximately \$54 million. We can get down the list as far as we can with that. With the hope that maybe in the future we can have a quarter increase to again pump that up a little bit and cover more projects in a more timely manner.

Mayor Lane: But this is a step. So it's not complete. There's a short changing as far as that is concerned, right now? Okay. So I'm guess I'm looking for a little bit of a combination of things and it would involve the transportation sales tax and the General Obligation bonds for major capital projects myself. The only other caveat is some analysis of the sales tax for, on food purchased nor consumption in the, for consumption in the home and versus what that means regarding some additional assignment that I think was lined out as a mitigation, or the loss of that to the General Fund with a 1%, of .1% sales tax increase. I would like to see how that weighs out. Yes, Councilman Phillips?

[Time: 01:40:44]

Councilman Phillips: Thank you, Mayor. Excuse me. I would like to circle back and say again, that, you know, I'm looking at a strategic approach, and the reason I use that is because we have tried bonds three times and they failed three times. And if you go for a bond again, whether it fails or not, certainly in two or three years, two years, in 2020, the volunteers aren't going to approve a sales tax because you are going to say, we already gave you \$350 million. So that doesn't work to go for the big amount and then the smaller amount. I think you need to go for the smaller amount first and then the bigger amount. Of course I agree with the Mayor. I think we need to go after the Prop. 400 funds and I think the sales tax is the best way to go about doing that.

If you want to talk about property tax, it's not going to raise the cost of it because we have been paying off our debt over the years but wouldn't it be great if we could pay it off and lower the tax, but, of course that will never happen. We will keep asking you to continue it. It's like a school bond override. You ask for an override and you override it forever. You know, tell it to the 14 families that lost their homes. I don't know if they ended up on the street but that was a property tax lien. It wasn't a sales tax lien. It was a property tax lien and whether it's from the city or state or the county or the schools or whoever, we keep piling it on the property to the point that the people who can't really afford it, end up losing their homes. The rich people won't lose their homes. They love a property tax. It's clean, convenient and steady over the years, they don't have to worry about it.

People who have a hard time holding their home worry about it. You can ask anybody in south Scottsdale. And as long as I was going to bring that up, I wasn't for the stormwater fee and for the same reason. We are asking the people of south Scottsdale to put a few months more on their bill for the developers up north. I don't agree with that. If we have to do, it I think it should go to projects that mitigate flood control in their neighborhoods, not wait until we do a \$30 million project up north. That's a little bit of a different subject. The best way to go about that, the projects reason even ready yet because the staff has not fully studied them and then those could be on there. Because if we don't, when 2020 comes, they won't, they just won't be on there until the next bond or another ten years. So I hope staff will consider that. Thank you.

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

[Time: 01:43:34]

Vice Mayor Korte: This may be a question for David. Mr. Nichols, we were talking about the ALCP projects and our concern is losing the matching funds which is about 3 to 1, of our calculation from what we are putting up to what we get. Are we not maximizing, are we not able to fund those projects with a GO bond versus a sales tax? So I'm hearing from different individuals that the GO bond will not be able to fund those projects quick enough. Is that true?

Jeff Nichols: Vice Mayor Korte, we can use the GO bonds to fund those projects.

Vice Mayor Korte: So the sales tax is not necessary to jump start that funding so that we can make sure and obtain our matching funds from the county?

Jeff Nichols: As was shown by Mr. Lipinski, he had shown it as a separate question, a separate transportation question, but it could go to the voters and if they approve the GO debt for that, we could, we could, I believe, meet the timing for that. My understanding is the M.A.G., about 2020, will start looking at redistributing those funds because their concern is it ends in 2026 and they want to be ready when it ends.

Vice Mayor Korte: So we could maximize those matching funds through the GO bond funding?

Jeff Nichols: That's correct.

Vice Mayor Korte: Thank you.

Mayor Lane: Yes. Thank you, Vice Mayor. Councilman Klapp.

[Time: 01:45:21]

Councilwoman Klapp: I'm not going to go over all the things that have already been said by everybody else about the reasons why GO bonds are better than sales taxes. But I do favor GO bonds for funding these projects and I don't favor increasing sales tax. You know, a .1% increase in sales tax is a 6% increase, .2 is 12% and .3 is 18%. That's a lot of increase of sales tax for the general public. People I talk to have said that they don't want a sales tax increase. They might consider an extremely small one, which would mean maybe 2 to 3% at the most, but beyond that, I don't think we can sell a sales tax increase. I'm not for the sales tax increase partly for that reason. I don't think the taxpayers want it, nor do I think they will vote for it.

I do favor the \$350 million GO bond questions because it doesn't increase the taxes at all. To me, this is the best way to go because we are not increasing the property taxes for the general public. It is paid for by a larger group of taxpayers, and it is using the proper type of funding for long-term projects in my estimation. A couple of times, it's been stated that our, we are the lowest sales tax city in the -- in the state based on permanent sales tax, but we continue to ignore the fact that there's .35% sales tax that's paying for the Preserve and that does not go away next year.

It goes away in, one goes away in seven years and one goes away in 16 years. At that time in seven years, it might be the time to talk about increasing sales taxes, but not today, because right now we're at 1 point, we are at 1.65 and not 1.3 for our sales tax rate and we are still above Gilbert and Chandler at 1.5. So we are not the lowest in the state and we can't disregard monies that are being taxed for the Preserve. They are still taxes. Yes, it's a sunset tax but it's not going away next, but this is not going away next year. I use 1.65%. That's what every retailer in town uses for the tax rate, not 1.3.

And it has been pointed out in a letter we received that I knew was going to come eventually from the auto dealers that they are not at all interested in seeing a sales tax increase, because the way they sell cars in Scottsdale right now is to point out that the sales tax rate is much higher in Phoenix than in Scottsdale. So if you take the sales tax rate up, then they lose their competitive edge and selling cars

in Scottsdale. That's true for many retailers. I mean, all the retailers, myself included, have talked to people that our sales tax rate was lower than Phoenix. I wouldn't want to entertain a .3% change in the tax. I think that would be a significant change, a significant percentage increase in tax rate and it's not something that I'm interested in doing.

[Time: 01:48:51]

One thing that was mentioned though by Councilman Smith is something that's been rolling around in my head, and that is I'm not wanting to bring that food tax money back into the General Fund, but I think it would be a good conversation at least. I'm not saying I'm for this necessarily, but I'm willing to listen, that if we did discuss sales tax reform, only as it relates to the food tax and that is we eliminate the food tax which is equivalent to \$7 million a year, and we have a .05 increase in sales taxes to more or less cover it, not necessarily cover it but it covers a big portion of it, specifically so that food tax is no longer, food is no longer taxed, but that monies that are received is then spread around all the other items that are taxed in order to bring, if nothing else, \$5 million back into the General Fund. It doesn't cover everything, but we have been able to operate the city without those funds up until now.

So this would be an additional \$5 million that would come back into the budget if we wanted to consider a sales tax reform question of .05, which is a 3% increase which taxpayers might consider. But I think that's the extent that we should be considering and raising the sales tax. And also it was mentioned earlier, and Vice Mayor Korte mentioned, it I would like to see a presentation on the projects on Via Linda to get a sense of why we are spending \$5 million for two roundabouts on that street. I travel it every day. I don't see where two roundabouts is going to solve anything with four schools in the area. But I would like to hear your take on it, since I'm not a, I'm not a transportation engineer. So tell me why it's going to help the traffic on Via Linda if we are going to spend \$5 million to add to roundabouts on Via Linda. I would like to know that.

I believe that pretty much covers the comments I wanted to make. I hope that we can move ahead with the \$350 million bond questions as quickly as possible, which as I understand does include all of those transportation projects that the Mayor mentioned are important. And so that would be included on the list. I think we should have another conversation about all the projects on the list again because we really have not looked at them. You know, we have a long list of many, many projects but I think we need to be clear as to the projects that are on there that are necessary, and which ones could be potentially moved down the list or maybe something could be moved up on the list. I think that conversation would be helpful in the past when we talked about bond elections we have gone through the projects and gotten a better understanding of why they are on the list and the costs involved, et cetera. I would like to see that conversation take place as quickly as possible. Thank you.

[Time: 01:52:12]

Mayor Lane: Thank you, Councilwoman Klapp. Can I get one thing clear and we have tossed around a number of different numbers when we talked about if we were to eliminate, now I'm talking

about follow through, right now what we are talking about is whether or not the food tax on a third and a third and a third on the three years we are talking, about whether it gets discontinued, in which case it would then revert back to the General Fund. But it's only that portion of 1%, and so if we were talking about eliminating the food tax ultimately, would it not be the full extent of the sales tax?

Jeff Nichols: I believe that's what's being proposed.

Mayor Lane: And how much is that?

Jeff Nichols: About \$12 million.

Mayor Lane: Yes. And that's what I understood in our simple calculations, that it's \$12 million. I wanted to make sure what it all is. I wanted to just say that for the general public, I think it's important for them to know that we do not put out General Obligation bonds for operating costs and sometimes when there are bond, or there are ballot issues, like with the school districts, sometimes that is to fund operational costs and that's why it's an annual thing because it's part of their budget. And the other is that there are certain cities that build in some operational components when they have capital projects.

To the best of my knowledge, we have not really ever done that here and that's not something we feature to do. Long-term debt to operate, to fund and frankly, it's a rampant issue with some cities that are in trouble, to fund operating expenses is a bad situation. So we don't do it, and we have, to the best of my knowledge, I will again say we, I don't think we have ever done it. But the elimination of food tax would be approximately \$12 million.

Jeff Nichols: For all funds, the General Fund, the transportation fund.....

[Time: 01:54:08]

Mayor Lane: Right. But if we are on the path to do that, we are talking about if we eliminate food, I'm sorry, a tax on food consumed at home, across the board, and I'm presuming that's what is being advocated, even though all we are doing is moving the 1% in pieces out of the General Fund because it's received there, into the CIP, where we have become dependent on the CIP to get some things done. Okay. So I do think we need to have a conversation about that.

And my proposal as far as the transportation, the .1% is the only thing that I think given 2020, when some of this money is going to start to fall off, if we have an application, and that may be something else that we need to absolutely look at, we are not rushing into something if, in fact, we are never going to be able to meet it and we are just going to lose those funds. And maybe on this list, we want to make sure that we have got some mechanism to be able to match those funds. That's the primary reason for it right now. If it weren't for the situation we are in now, I would still be an advocate of funding those with General Obligation bonds because it's the better way to go in my estimation.

So I think a conversation or a comeback, isolating some of the things I mentioned before and then determining that if it's a sales tax, if there's some conversation that we can come up with an option, that has some component on the transportation sales tax, some component, if it's .5% or if it's 1% or whatever it's calculated that it will take care of some of our immediate needs and we can bond for the larger project.

Councilwoman Klapp: .05.

Mayor Lane: I'm sorry, .05. We all get caught up in that, just where that decimal lands. It's pretty critical. It is pretty critical. So I appreciate the correction. But that, I'm satisfied that the stormwater and the impact fees are not part of this equation here. And so we are done with that. As far as General Obligation bonds, it's going to be a matter of how we might present that and whether we present it in the next election cycle or whether we wait. So I think those are, those are prospects. Part of that is strategic.

It's the determination we would have to make if we were to do it and the other part of it is, is there a need for some kind of increase in the transportation sales tax, which was meant to cover and maintain the standards of our streets by things that are not bondable. And that's another thing, we have an element that's already been presented to us of non-bondable kinds of expenditures that are more or less capital type of expenditures but they are non-bondable. I'm hoping that give and when we have said here today, and there may be more to come, but given what we have said here today, there's some kind of maybe a path and a choice that we could line out with some definitive information as to how and what we might be paying for, the sales tax allocation, that it is meant to give us matching fees, maintain our road standards and maintain our overlay and those kinds of things that are generally, even though they may be acceptable bond items, they could routinely be funding and keeping up our standards. So that's the element, I think, that differs from, maybe it's from some of the others, for me. I'm sorry, did you have a question?

[Time: 01:57:56]

Jeff Nichols: Yes, Mr. Mayor, if anything from tonight's meeting, I was really hoping for direction from staff on the level of capital funding to seek community support for in November, be that be a bond program or a sales tax program and if \$350 million and that's the number I heard from the majority of people who have spoken, then we would like that direction tonight, so that we could come forward in April and show you what that looks like and get it on the Council agenda and get approval for that going forward in November.

Mayor Lane: Then with regard to some of the questions about the roundabouts and if you get a consensus, that \$350 million is the area that we were looking and how we address it, it may be subject to some discussion. That may be the level we are looking at. Yes, Councilman Smith?

[Time: 01:58:54]

Councilman Smith: Well, I think I will weigh in on that question. Certainly 350 in my mind would be

the minimum amount. I was intrigued with the idea of doing a sales tax piece dedicated to the, to those projects where we, our Arterial Life Cycle Projects, the ones that have the large matching dollars, that would effectively bring the total package up to 350 bondable and \$70 million for those projects, a total of 420. I come to that number, I mean I come to that support because I don't think we can wait. And no way do I want to wait. We have been waiting and waiting and waiting. And we have watched the net depreciable assets of the city decline, decline, decline, year after year for the past few years.

We have to, and not we the Council, the citizens have to start reinvesting in their city, and that has what we have to convince them of. It's not, I don't think we have the luxury of waiting and, you know, maybe collecting \$10 million a year for a couple of years and then go out and check to see if they want to do a bond. Anyone who was watching last week, when we had the discussion of the falling bridge on 68th Street realizes that some of our assets under a desperate state of need for replacement. I mean, a bridge is not usable in our city! It is not safe for transport. So I don't want to wait and I would say digressing off to a couple of other points, I agree with everybody else on these roundabouts.

I will tell you when I looked at the project, you know the project description here is 126th Street and Via Linda intersection improvements. I thought, well, that sounds like a good idea. We fix that intersection, whatever that means. And now that I realize that we're talking about roundabouts, I too want to pull those projects from consideration until we have clarification of what our need is.

[Time: 02:01:11]

Another project that we might consider pulling or considering whether we have a need for, the Crossroads East project phase one is being paid for by the stormwater fee that we put on. You mentioned, Mr. Nichols, as we go through time, we may figure out that that's a fee that we want to increase with inflation or some index so that it's more in line with reality. Is it conceivable that that would phase, that would fund phase two of the Crossroads East project? That as we take it from \$3 to \$3.25 to \$3.50, whatever the number is. I want to see what we're going to, I think it's right to have an increase of that fee and tied to something, and what will it pay for.

And finally on the sales tax on food, let me share. I agree with anybody who says I'm fond of having the lowest sales tax in the state or if you add in our temporary taxes, the third from the bottom tax in the state. But I'm not going to celebrate that fact if it means I'm doing so at the risk that I'm diminishing the cache of Scottsdale. That will not be something to celebrate. I guess if you put the lowest sales tax rate, post it over on 68th Street bridge which nobody can drive on, maybe they will make the connection one to the other.

The other thing I want the public to understand and we'll talk more about this food tax when we get there, it is about \$12 million in all funds. A big part of that is going to the Preserve. Accumulation of money and we had numerous discussions here about how the Preserve is accumulating more money than they have identifiable uses for, either for the purchase of land or trails or anything else. So part of it, it's true, if we eliminate the food tax, we would eliminate perhaps, 3, \$3.5 million that

goes into the Preserve fund but that part we do not have to replace. It's an accumulation of access money and it should have been done away with a long time ago.

And one other point. We had some conversations about people who lost their homes to tax liens. I would remind the public the city of Scottsdale, our share of a person's property tax is, for this program, is somewhere around 5%. I don't think people lose their homes because of property tax liens. What precedes that is they are not paying their mortgage or they are not paying their property taxes because of other issues in their lives. But let's not, let's not focus too much on this. We can focus on it, but let's focus on how small the piece is, it's less than 5%. Thank you, Mayor.

Mayor Lane: Thank you, Councilman. Yes, Councilman Phillips.

[Time: 02:04:29]

Councilman Phillips: Thank you, Mayor. It's funny that Councilman Smith pointed out the roundabout was referred to as a transportation improvement project. And it goes in the bonds. And then when you ask about it and it's not something you want, they say, well, it was in the bond. You voted for it. But aside from that, when you're asking for, you know, direction from us, if bond, you're saying it's, \$350 million, that's what you are hearing and that's what everybody wants. If we went for the sales tax in 2018, we are asking for \$30 million. It's .3%. So we are not asking for the whole 350, needing it up front right now. That's a different question and that's what I'm asking for. I think that's more palatable.

I mean, I had a little survey done, but I think if you did it over 1,000 people, you would get the same thing. People will pay for a bond or a sales tax. I think they would pay for a sales tax for transportation, and I think if we ask them for .3, get rid of the food tax and get the transportation money, you know, that the Prop. 400 funds, I think people would vote for it. I think they would say, yeah, that's a worthy project. That sounds like something they could do and let's do that. And then you can work on bond that's favorable to everybody with the big projects in 2020. I just feel that's the way to go. I think to jump for a bond right now, throw everything else aside and let's just get that 350 million and worry about it later. You will get the same thing you got in the last three bonds. Thank you.

[Time: 02:06:15]

Mayor Lane: Thank you, Councilman. Just so it's clear, though, whenever you are talking about a bond, it's also spread over a long period of time, it's not \$350 million up front. I wouldn't want the public to think it's coming in on all one fell swoop. It's over a 20-year period of time in that application. And frankly when it's finished, it's paid, and it's done. So I don't know that, okay. Councilwoman Littlefield.

[Time: 02:06:48]

Councilwoman Littlefield: Thank you, Mayor. Well, I guess as we have all discussed tonight, there

are good things and bad things about each of these options. And there are some things that better with one versus the other and vice versa. Personally, I prefer a bond over the sales tax. Personally, I prefer neither, but we will have to try for one. My biggest concern with a bond is we are putting all of our eggs in one basket here and we haven't had very good luck over the last couple of bond issues. And we haven't gotten them. So if we want to go after this transportation money, matching funds, and we put it all in a bond, and the voters say no, then what do we do? What is our fallback position? Do we have one?

Because that's \$70 million as far as I can see here of matching funds in the transportation money that we need to have some way to get to if we can't get the bond passed. The citizens are not happy out there and I kind of disagree with some of your stance there. I have talked to a lot of people about these issues, as I go around the city, and they are not happy out there. It's going to take an awful lot of discussion to get a bond approved at this point in time. And it's going to be very difficult.

Does that mean that a sales tax would be easier? I don't know. It seems like we ought to try to figure out which way to go. I like a bond better than the sales tax. It stops at the end and it goes away. I like that. It lists the projects that we're going to do with it, and there's no changing that around. It goes in front of the voters. They can see the projects. I like that. And it has a definite best cost scenario from the city. That's good.

[Time: 02:08:53]

However, you've got to get it past the voters and they have not been very enthusiastic about bond packages lately. So I would like to see what's an alternative, if that's the way we decide to do it. Sales taxes, yeah, we are, our sales tax rate is very low, unlike bonds which is spread out over more of the businesses and the visitors and all kinds of people who come in and buy things, rent rooms or hotel rooms and all of that, build businesses, build buildings. It's a more even tax that's paid with a bond than through a sales tax. Most of the sales tax is regressive, I think. I don't like it. And, but if we have to do a sales tax, then we need to do it.

So I would prefer trying for a bond, but I would like to see if we couldn't get some sort of backup plan for at least some of that transportation funding, maybe from moving the sales tax on food back into the General Fund doing what we need to do to pull everything together. Where are any excess funds available in any of our budgets and what can we do with it. I'm not optimistic about getting it. But I think it's the best option at this point. We need it. We need, we need the projects that are being done. We need a lot of these.

There's one other thing I would also ask. Last time when we looked at a bond issue, there was a gentleman who worked for the city named Derek Earle, I believe and he presented with the, for the entire Council a very comprehensive book of what each project was, what it involved, what its cost was, and why we needed it and how it was going to be done, and you had a chance to go through and look at every project in depth. And I think that that was extremely helpful.

Not having been on the bond committee, I'm looking down a list of projects. Intersection

improvements, that could mean several things. I would like to know how much it will cost and what we are going to do and why it's needs and have the rating on the staff, is this an A project, a B project, maybe a D project. Would like to see how staff sees this project in relations to the other projects. I think it's something that I missed in preparing for this. I think that we ought to know what it is that we are talking about doing. Thank you.

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

[Time: 02:12:17]

Councilwoman Milhaven: Thank you. Some of the conversation tonight has revolved around our failure to pass previous bond questions. I would like to point out that one, there was no bond campaign. And then in another, members of this body disagreed with each other about whether or not we needed bonds and so the conversation, the community was a divided Council. Some people saying the city has got plenty of money. We don't need bonds.

And so what I am thrilled to see in this conversation that I think is different from what we have seen in the past, is that we all agree we need to be investing in these projects. And we all agree that our annual operating revenues are not sufficient. So if, so I am excited that this group can show leadership and solidarity in supporting whatever the agreement is that this body comes up with. Because if we wind up campaigning against each other, we are campaigning against the quality of life in our community. And I don't think we need to make this a political issue. I think this needs to be a sort of fiscal responsibility, quality of life that says, we must be investing in our community, however we choose to do that. We need to come together and campaign to support the quality of our community.

Having said that, I was listening to something recently that in a democracy, everybody doesn't get everything that they want and sometimes you get things you may not want, because your neighbor wants it. And so when we are looking at this these bond packages, I think for us to say as a community to be able to say on balance, I think these things are important, and I can support it because there's something for everybody, will be really important. And while I agree with you, sort of reviewing Councilwoman Littlefield, the projects, I know staff has vetted it and the committee has vetted it, and so I'm confident that there's something for everybody. I'm not really interested in picking through the projects.

I think we need to start to come together as a community and say there's something for everybody and I trust there is. To that end, I am supportive of a bond. I think as Councilman Smith said, a minimum of 350, you know, what we saw was sort of a combination, if all the committee and the staff think we should ask for more than 350, I certainly would be supportive. I'm not supportive of looking at a sales tax at this time.

[Time: 02:14:51]

Councilman Smith also talked about a Tempe quality of life tax. We know Mesa has one too. I'm

very interested in looking at that, but I don't think the time is right now. I have think we need to take care of some of our fundamental infrastructure needs before we look to the sales tax. And then lastly on the subject of the food tax, this conversation is really fascinating to me as I was sitting here.

I looked it up and the median income, the average income in Scottsdale, the average household income in Scottsdale is \$72,000. The average income in Arizona, the average household income is \$53,000. So we're talking about a regressive tax in one of the most affluent communities in the country. Well, raising the tax here, reduce the tax there, for the vast majority of people who live in Scottsdale, we are just rearranging the chairs. We are saying what's the formula that you pay for this and you don't pay for that. So I think it's a lot of gyrations to get to the same place.

I am, however, sympathetic that not everyone in our community is well-healed. And so while I'm not supportive of repealing the tax on food consumed at home, I would be interested in looking at some kind of a rebate program to members of our community who can demonstrate that they are economically challenged, such that this food tax is a burden to them and I would be willing to rebate to folks who can demonstrate a need what they would pay for the food tax. The other interesting point around the food tax, not only were one of the most affluent communities, we live next door to another more affluent area and that's Paradise Valley and they don't have any grocery stores. So the folks, if half of the people of Paradise Valley go to Phoenix and half come to Scottsdale, we are collecting sales tax from the folks in our neighboring community who don't have any supermarkets.

And I can tell you from collecting signatures on my petitions at the dog parks and the libraries, there's a lot of people who live in Paradise Valley who are taking advantage of the services we provide here in Scottsdale, our dog parks and libraries and through lots of other things. And so I'm not really interested in giving the residents of Paradise Valley a tax break. For those reasons I'm not supportive of repealing the tax on food, but I would look at a rebate, and I am supportive of moving that out of the CIP to the General Fund to support whatever additional operating expenses for capital projects we need to do if the bond gets approved. I think the most important thing and I want to repeat is this body, as leaders in our community, I'm thrilled to see us come together in agreement that we need to fund these infrastructure projects and whatever the final decision is, that we recognize that for the greater good of our community, we need to support the funding to maintain the quality of life in our community, and that we agree and campaign together and not against each other. Thank you.

[Time: 02:18:03]

Mayor Lane: Thank you, Councilwoman. I think well said. And very important because we do need to be not only one Council on this topic but we also need to be one community. And as we have seen in the past, it has been anything but in a lot of instances which has led to some of the issues we are dealing with right now. So I commend everybody at the table as at least coming to a greater understanding on this. We may have some small differences, but I think we are heading in the right direction. Councilwoman Littlefield.

[Time: 02:18:34]

Councilwoman Littlefield: Thank you. I forgot to say something too, that I wanted to give direction to the staff on. This if we decide to go ahead with a sales tax of whatever amount, I would want that sales tax to be like a bond as much as possible in that it would have projects listed, that would, that tax would go to pay, and it would also have an ending date when the MPC bonds came to maturity, the sales tax would go away once we paid the debts and the bonds off. Kind of like what we do with the Preserve.

There's an ending date on that tax and I would want to have that kind of an ending date on the sales tax too. And it would match to the bonds. You would need to have it listed what you are going to spend it to. It should be a dedicated sales tax for infrastructure, whatever infrastructure you get, whether it's the transportation or other, and make sure that people know that that's what it is when they go to vote for it. Thank you.

[Time: 02:19:43]

Mayor Lane: Thank you, Councilwoman. Well, I think that pretty much wraps it up. I hope that unless you have questions of us right now, that we have given you some information that we, that you should be able to interpret and come back to us. You asked for a bond amount. We have got that. We do have some small differences as it relates to how to fund it, but it's really not as significant as it might seem.

I think really, and I'm not here just to reiterate my point. The emergency kinds of funds that we need either in the General Fund and/or the transportation fund that we need that are not necessarily big projects but are on a continuing need of matching or otherwise. That's one point. If that is not something that can, cannot happen, I think we need to seriously look at something else that has been suggested and that is the idea that to discontinue the funding of the CIP through that, through the food tax as it is. And get off of that program and get that back into the General Fund. Maybe to address the same issues I'm talking about that.

Other than that, we are looking at a bond issue, and I would like to see how it can be brought to us in the best of form, both for communication, but also for ease to understand, and as straightforward as we can make it and bring that to the public, and I think then as a body, if we get to that, whatever combination, we are ready to support that. And I think that will be important. So that's the task at hand.

I realize we are under a little bit of a deadline if we are looking for November. We are undoubtedly have to be back here to discuss it. Maybe if it's in, and maybe I will pose this question. If it's in a form that we cannot go through further discussion, we, we did talk about a couple of things and I agree that really we're not here to try to reassess what the, what the CIP subcommittee did, and what staff did with regard to prioritizing these projects. That's not really what our critical function is. We had a couple of people that have spoke to us about this and, spoken to us, and we have some sense. So we are really looking at what you presented to us, with that one little caveat. Yes, sir?

[Time: 02:22:15]

Jim Thompson: Mr. Mayor and members of Council, I believe we can come back with something that you can vote on. We can immediately begin this week and have it out to you tomorrow. We are probably looking at an April time frame, but get the questions that were still pending answered and send that out to all of you and then if there's further follow-up, you can contact me and we can follow-up on the questions that arose this evening. So make sure we fully vet those specifically associated with the drainage, if we go a quarter or 50 cents in the future.

I think our original proposal is \$4 and it would pay for all the drainage projects. You could pull this out, the Civic Center plazas and the two projects on Via Linda, brought up by the two gentlemen earlier things like that, we can get all of that information out to you really quickly and if you have follow-up questions or concerns we can address them accordingly. That could change that, that number portion, associated with the \$350 million concern. But it shouldn't change this dramatically for us to bring back for your consideration something to take action on.

Mayor Lane: If that's a question to us with regard to contributing it to us if there's a follow-up on the questions, I don't think anyone has a problem with that.

Jim Thompson: Excellent.

Mayor Lane: And that will facilitate a little bit more of a timely approach to it. Good. All right.

ADJOURNMENT

[Time: 02:23:43]

Mayor Lane: With that then, I think I will ask for a motion to adjourn and thank everybody for the input and for the conversation and for the answers to the questions and for the presentations. So thank you very much.

Jeff Nichols: Thank you, sir.

Mayor Lane: Motion to adjourn. Second? All those in favor please indicate by aye. We are adjourned.