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#### **CALL TO ORDER**

[Time: 00:00:15]

Mayor Lane: Good afternoon, everyone. Nice to have you here with us and abiding by the social distancing rules. I appreciate that. I'd like to call to order our March 17, 2020, regular meeting. It's approximately 5:05.

#### **ROLL CALL**

[Time: 00:00:25]

Mayor Lane: With that, I would ask for a roll call please.

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Kathy Littlefield.

Vice Mayor Littlefield: Present.

Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

Carolyn Jagger: Virginia Korte.

Councilmember Korte: Here.

Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

Carolyn Jagger: Solange Whitehead.

Councilwoman Whitehead: I'm going to change phones, but I'm here.

Carolyn Jagger: City Manager Jim Thompson.

Jim Thompson: Here.

Carolyn Jagger: City Attorney Sherry Scott.

Sherry Scott: 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: 00:00:56]

Mayor Lane: Thank you. Items of business, we have cards if you would like to speak on any of the subjects in Consent or for Public Comment. There are cards, those are the first ones were the white cards for speaking and yellow card is for written comments. Of course they're both available here at city clerk's Carolyn Jagger's desk there. Scottsdale police officers Ray Powell and Tony Wells are directly here in front of me. As well as our fire engineer Chris Hauser, from Scottsdale Fire Department, here on the mezzanine a little to my right, up above. They're all here to assist you. The areas behind the Council dais are reserved for staff and Council access only. Restrooms over here to my left, under the exit sign, on the side that is over here.

If you're having difficulty hearing any of our proceedings, there are hearing assists headsets available, please check on the clerk's desk and someone on staff there will help you with that.

**PLEDGE OF ALLEGIANCE**

[Time: 00:02:14]

Mayor Lane: Start with the Pledge of Allegiance. I would like to ask Council member Korte to lead us in the pledge.

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

Mayor Lane: Thank you. All right.

**INVOCATION**

[Time: 00:02:52]

Mayor Lane: For today's invocation, I would like for us all to take a moment of silence to consider in prayer or in thoughts the circumstances that we have within our country, with an outbreak of a deadly virus and all of the measures that we need to take in order to thwart that virus's spread. But if you could please pray for the country. In this case. And for our city. Thank you.

**MAYOR'S REPORT**

[Time: 00:03:44]

Mayor Lane: I just referred to it a little bit, with regard to the circumstances at which we are currently living in. And having to deal with. And it's caused a fair amount of, certainly fear, concern, about how we are approaching it, and how we will move our way through it and to find ourself a better place as we are able to address this in a comprehensive way. I'm fairly certain most of the citizens of Scottsdale and across the state and country know how the situation with Corona virus or COVID-19 has matured in its transmission person to person transmission and in the country's coordinated and united effort to thwart its advance. Stemming the import of contaminated individuals is a major element in that fight. In identifying exposure, testing and/or quarantine and treating those that have been affected in a person to person transmission. All in an effort to slow the spread and contain this particular virus and its dastardly effects.

There are some elements that have been proposed to us by the powers that we work with, from the federal government, state government, the county health services and our own team of experts right here within the city. To coordinate the actions that we as a community have to participate in in order to move ourselves forward in a positive way on this. Of course, that includes some social distancing, which I referred to a little while ago. Three to six feet, depending on indoors or outdoors from each other. And that is from a physical contact that it might spread the disease through that mechanism. There is

an airborne problem as well, being in enclosed areas also presents a problem because this virus, as many viruses can, do survive on surfaces but also in the air for a limited period of time, but they do.

A profound element that has come up recently is the limiting the size of social gatherings to ten people. These are guidance but we try to adhere to them and when we maybe have to depart from them we need to make sure that everyone is aware of the personal hygiene that we need to employ to protect ourselves as well as others. There are guidelines that relate to restaurant operations and bar operations in regard to those same restrictions and nursing homes. As I said, most everyone has probably seen or heard these things. But I want to reiterate that there are sources of valid, honest, analysis of what we're trying to do in our attempt to slow the spread so that our medical facilities can actually, are able to accommodate what we foresee coming, ultimately.

And then of course, we're hoping and I know the country at large now is working on not only treatments and testing to find its existence in an individual before maybe symptoms are seen, but also to make sure that they are able are not only to be cured of it. Now that sounds like a far-away goal, but there are indications that we may be looking at positive prospects in that regard. Some of which have yet to be fully vetted. But they're out there. Of course, our requirements even for the testing and the validation of those products will likely be put on a fast track in order to make sure we save lives.

And if you're not familiar, I was talking with someone within our community, we have a situation in state of Arizona that is a little bit unique and that is that we have a right to try law. If you're not familiar with that, it's something that was brought up a few years ago. And that is even without FDA approval, a person who may be threatened with their life in an illness or a disease can request and have drugs that have not been thoroughly gone through the process. Interesting component. And it may come into play particularly as this may progress. I don't know how many states have that. I just know that we were instrumental as a state, Goldwater Institute and the governor put that in place a few years ago. Actually, it was initiated by someone we deal with here in city hall on a routine basis. His son came down with an illness where the medicine was authorized in Europe, not here. But the difficulty of getting that medication is what led to that change.

[Time: 00:09:15]

The intent always is, as I hear sometimes people talk about hey, is this about our citizens' health or is this about profits? It's an insulting comment really to ever assume that anyone on this dais is ever thinking in those kinds of terms. It truly is. It's not only unethical thinking, but it would be immoral for us to be thinking that way. But there is a balance that has to be made. And we have to always consider it. Because the health of our individual citizens is really also dependent upon a healthy city and a healthy community. So it is truly a matter of some very difficult decisions when you have to muster up and make that decision and draw those distinctions I suppose. We're responsible as a city to minimize the harm to our citizens both physically and economically. Right now that's what our focus is.

I'd mentioned already the various agencies that we deal with and work with. One of the things that we tried to do here, specifically some efforts personally undertaken is to sort of calm some of the terror. If you haven't already heard, we're at the highest level of fear index that we've had since 9/11. And it's actually even a little bit more fearful in some respects because of the nature of the beast. A lot of unknowns. A lot of unknowns there, but some of it came into the picture quickly and wasn't lingering or

growing slowly. But those agencies that we deal with, one of the ones that everyone should be at least aware of, if they're not already, and that is the Arizona Department of Health services, AZDHS.gov, it gives you up-to-date information as to how successful our thwarting of this spread through transmission person to person, how successful it is. It's in those numbers, you'll come to understand and see how that all comes together and works.

So the municipal, state and feds, and the way this has been structured, as a municipality, or a tribal community, we are considered to be the front lines on the efforts and what we need to do within our community. All in consideration of where we stand in the realm of the disaster. Obviously, we are considered to be either a low risk or a very modest risk. Sort of in between there. And so there are certain things that apply to high risk areas that haven't been invoked here. We would like to stay away from them if we can. So there is a difference in the communities.

If you don't know this too, there's only three counties truly that have been affected. You can imagine they're the most populous ones, Maricopa, Pinal and Pima are the only ones that have any, no deaths, but I'm talking about the occasions of actual having the disease. Three counties and a total, I think it's 12 right now, some very close to that, if it's not. But those are important stats to follow and maybe get a little bit of a grip on it. That same page will tell you why we are doing the things we're doing. Some of the things I just outlined. And why we're trying to buy time because if this were to become an out and out true epidemic here in our community, it would strain services to an extent.

[Time: 00:12:58]

Again, if you follow this very closely, you can see what has happened in other countries who maybe didn't follow some of these procedures and let it go. And it did just exactly that. It got going and it was out of control. You know the primary countries in that, of course is China. But Italy and Iran. On the top of the list. Much further down on it. As a country now. But nevertheless, we're taking it seriously, because we don't want to be there. So I just wanted to also mention that you know, we have a real desire to become direct with our citizens and businesses. And to elicit cooperation from them as we have.

Ninety percent or more of the cancellations to certain issues didn't even have to come to an issue where we had to ask for them to cancel. They cancelled on their own. On city venues. We are taking very specific action and we are going to be cancelling all events on the city venues for the next eight weeks. So it comes at a time maybe when some of our major events dropped off. But if you don't already know this, we tried to get this information out, it took a little bit of time to reckon with this particular one, but Bike Week has been cancelled. And everything else is either cancelled on their own. And we were able to move forward with ourselves and hopefully in a safer environment.

I didn't mention this earlier, but one of the primary things that the state of Arizona has a problem with, of course we're a tourist attraction, we entertain so many millions of people, we have no real control inside the country as to where people come from, where they may be at a much higher risk. So we have an added component of concerns and things we need to deal with. Because we may be bringing people in that don't necessarily compare with the kind of population of either infected people or people who are pending or have been found to have the disease. But so importing people not just from foreign lands which is something that has been stopped in large, large part. It was a major effort to get ahead of

it, and to be able to buy time. So that is the lay of the land.

Now, looking forward, I can see that most everybody is probably pretty well informed on this subject who are in here, and maybe those listening would be interested to know this too, some of our neighbors who are much higher risk areas, even within the state, still in a relatively modest level of things given population, are taking some extraordinary moves. In the political and governance world, there are certain rules that sometimes apply that don't necessarily have a complete and full bearing on what you are professing to do. And declaration of an emergency declaration is one of the things that some of the communities around us, maybe many of them, I was on the phone with probably about 60 percent of them yesterday are concerned about whether or not the state's declaration of emergency declaration, whether that covers all of us in the sense of this, it does in the real sense that the state could impose through that declaration things on us in a forced way. They haven't done so to this point in time. But they also, it creates a different environment in the way of attitude.

[Time: 00:17:06]

And we're concerned where the population is already very worried and very nervous about things. We're not looking to exaggerate things any further than they are. And we want to also make sure we talk about the fact that we're addressing them all. So we haven't declared an emergency as yet. But it's something that remains with us. But that element that I was leading up to and that is the distribution of funds when they become available, depending upon what happens from the federal government or even the state, sometimes is tied to your declaration of an emergency. I understand the training tells us that we should apply early and apply often. But nevertheless, I am somewhat held into a position to keep things within a quantified state that we are in.

But at the same time, evaluating through our great individuals and our incident management group, as well as our emergency management group. To address these things locally and make sure we're listening, as much cooperation and understanding with our citizens and our population. And our businesses, I should say. It plays out well. And we think we're making great progress. I am here to tell you I think we are in a good place, but we've got a lot of work to do. And there is going to be more pain before there is light at the end of the tunnel. There has been an awful lot of conversation about how long this lasts. In some respects, it's anybody's guess. Some people think it will follow the seasonal flu type of thing. If there's one big positive, we want to work this into the equation all the time, not necessarily at this point in time, to attract people from infected areas, but the fact is that a dry climate and a hot climate lessens the time that the virus can live in the air. The area is a little thinner, but it's hotter and dryer, but also on surfaces. So if there is a plus in suffering through the summer, it may be that it's a positive implication of cleansing us a little bit. So we'll look toward that as an advantage.

But I would just suggest to everybody, whatever form you would like to take, say a few prayers for our country at times and for our city and for all of us. And we'll get through this together, I think in good form. So I appreciate you bearing with me. And I hope that that bit of information is helpful, as we move forward together.

#### **PRESENTATIONS/INFORMATION UPDATES**

[Time: 00:19:56]

Mayor Lane: Now moving on to our presentation and informational updates. We were going to hear a presentation from Scottsdale Arts and they've had some adjusting to do in light of the coronavirus outbreak and we will reschedule them for a time that is more convenient for all. They're not here with us. One thing that I failed to mention and frankly, as a lot of the people in this room are staff and officers and that, the other thing that we're doing, I think on a positive way, is making sure that we're working with the events that have cancelled to move forward to another date. And hopefully that is not in the too distant future, where we will be able to accommodate them. But that has been a positive measure that the city manager has employed and his team and I think that has been, it's a great credit to how we see ourselves as a community.

**PUBLIC COMMENT**

[Time: 00:21:02]

Mayor Lane: Now, Public Comment, I don't know, did we distribute any of the Public Comment that was sent to us? I'm just going to read off the individuals. This is a very peculiar situation. We're not trying to penalize anybody who may not be here. There is some limitation to what I can do with this regard. I do want to mention individuals because they may be known to you and it may have some bearing on your feelings about the subject. But these are response items on, I'm sorry, 23, 26. I'm sorry Item 15. Okay. Item 15. I'll take them as they come along, at least announce them. Okay. We don't have any Public Comment in the normal form of things because of the lack of actual cards to be taken.

**ADDED ITEMS**

[Time: 00:22:06]

Mayor Lane: We've got some added items, so I would request to accept the agenda as presented or to continue the added items, number 23A and 24 to April 7th, 2020, that Council meeting. So if I could, this would be to continue them to those dates. So do I have a motion to accept that continuance?

Councilmember Korte: So moved.

Councilwoman Klapp: Second.

Mayor Lane: Motion is made and seconded.

City Clerk Carolyn Jagger: Your Honor.

Mayor Lane: Yes.

Carolyn Jagger: Could we just have clarification of what that motion was.

Mayor Lane: Yeah. Okay. It's to accept the agenda as presented. I am sorry or to continue the added items to 23A to 24, to April 7th, date certain. Pardon me. Thank you.

Councilwoman Whitehead: 23A is the item added?

Yeah. 23A is Bond 2019 Capital Improvement Projects.

Councilwoman Whitehead: That is the only item?

Mayor Lane: 24 as well.

Councilwoman Whitehead: 24 was added without the proper timing?

Mayor Lane: No. I'm going to ask that these items be separated. I don't know why exactly we combined those two together. How did that happen? Voting to accept the agenda as presented. I'm sorry. Not to continue. But to add it. Okay. Let's keep them together, then. So do I have a motion on that then?

Councilmember Korte: Mayor, I move to accept the agenda as provided.

Mayor Lane: Motion has been made by Councilmember Korte.

Councilwoman Klapp: I second it. But I have a question. It says here will require separate vote to remain on the agenda. So we're going to have to vote separately.

Mayor Lane: We are going to have to do it separately. Okay.

Councilwoman Klapp: I'm fine with that.

Mayor Lane: Okay. So we'll take 23A first. Is that okay, motion maker? We need to do them separately.

Carolyn Jagger: Your Honor, this motion is simply to accept the agenda the way you're receiving it. When you get to the items, I believe 23A is on consent. That is when you would take the motion or pull it. And 24 is a regular item. So that is when you would hear that one. This is just to keep them on the agenda.

Mayor Lane: Okay.

Councilwoman Klapp: I'm fine with that.

Mayor Lane: We're good. Motion has been made and seconded.

Councilwoman Whitehead: I'm sorry. I could not hear Carolyn. So are we making a motion on 23A or both 23A and 24?

Carolyn Jagger: You are simply making a motion to accept the agenda as is presented to you tonight. You're not taking a motion to vote on approving either or denying.



Councilwoman Whitehead: Sure. I would prefer them to be separate. But okay.

Mayor Lane: Councilwoman Whitehead, did I understand you say it's okay then?

Councilwoman Whitehead: Yes. Proceed.

Mayor Lane: I'm sorry. I probably confused that a little bit in the first round. Pardon me. All right. So we have the motion. And the second. All those in favor, please indicate by aye. Those opposed with a nay.

Councilwoman Whitehead: I'm going to vote no.

Mayor Lane: Okay. Motion passes 5 to 2, with Councilwoman Whitehead and Councilwoman Milhaven opposing.

### **MINUTES**

[Time: 00:25:55]

Mayor Lane: Moving on then to our Consent items. I'm sorry. To our Minutes. Request to approve the Special Meeting minutes of February 18th, 2020. And Regular Meeting minutes of February 18th, 2020. Those minutes have been provided. Any questions? I see none. I'd accept a motion to approve.

Councilman Phillips: So moved.

Councilwoman Klapp: Second.

Mayor Lane: Motion made by Councilman Phillips, seconded by Councilwoman Klapp. Ready to vote. Aye. They're accepted unanimously. 7-0. All right.

### **CONSENT AGENDA**

[Time: 00:26:36]

Mayor Lane: We're moving on to our Consent Items 1 through 23A. We do have a request by Councilmember Korte to make some comments and I am presuming that is not to pull it.

Councilmember Korte: Correct.

Mayor Lane: Okay. Very good. If you would like to go ahead and take that occasion.

[Time: 00:27:06]

Councilmember Korte: I didn't want this honor of naming some important amenities in our Preserve to go unwarranted or not seen by the public. Because I think this is a really important action that we take tonight to honor two Preserve pioneers. Tonight we're honoring not only Preserve Pioneers, but two

past Scottsdale Mayors in the naming of the Interpretive Trail at Fraesfield after Kathryn Sam Campana and the amphitheater at the Gateway Trailhead after the Honorable Mary Manross.

If you take a look at Honorable Kathryn Sam Campana's resume, it's pretty impressive. It goes on and on. But she was a long-time city Councilmember and Mayor from '96 to 2000. She was the Mayor that cut the very first ribbon for the first public access trail to the Preserve back in 1996. She as Mayor supported the expansion of the Preserve, from approximately 15,000 acres to the 30,000 acres. So Sam had that vision and really pleased that we are honoring her tonight for her vision.

Mary Manross, the same, Honorable Mary Manross. She was proud to cast her vote on October 3rd of 1994 to create the McDowell Sonoran Preserve and that is pretty darn special. She was, as Mayor in 2000 to 2009, she provided strong leadership for many Preserve milestones and statewide preservation initiatives.

So we have a lot to thank, not only Honorable Manross, but Honorable Campana for an incredible amenity in this community and something that has defined Scottsdale and will continue to define Scottsdale, so this is just a simple way of saying thank you for those years of commitment and passion and making some good things happen here in Scottsdale. So hats off.

[Time: 00:29:36]

Mayor Lane: Yeah. Councilmember Korte, thank you for doing that. It's an important thing to recognize and I'm sure that the full Council here recognizes and feels the same way with regard.....

Councilwoman Whitehead: Mayor.

Mayor Lane: Excuse me. I'm sorry. I'm in the middle of something. I would just hope that we do, well, we are recognizing them. I thank you for that. And I would like to add my congratulations to that as well. Vice Mayor Littlefield.

Vice Mayor Littlefield: This is on a different subject, so I don't know if Councilwoman Whitehead would like to speak first on the current subject.

Mayor Lane: Very good. Councilwoman Whitehead did you have something?

[Time: 00:30:22]

Councilwoman Whitehead: I was hoping also to speak. I so appreciated Councilwoman's Korte's comments and I wanted to have the opportunity to speak as well.

Mayor Lane: Very good. So noted. All right. Then I would say that we're moving on the consent side?

Vice Mayor Littlefield: On the consent side.

Mayor Lane: Very good.

Vice Mayor Littlefield: I have a couple of comments just for those who are not here tonight, don't have a copy of the agenda, as amended, there are several items on the Consent that have been pulled or removed, Item 6 has been removed by staff. Item 9 has been continued. Item 18 was pulled from the agenda by the request of the golf organization and 23 was continued by the request of the applicant. So when we approve our Consent Agenda those items will not be a part of that.

Mayor Lane: Thank you Vice Mayor. I was just about to do that. But I don't have Item nine on my list. Has Item nine also been.....

Carolyn Jagger: Your Honor, some of these items are already covered so the motion to approve the Consent, for example, for Item 9 is already a request to continue. So when you approve the Consent that is automatic, you don't need to remove that.

Mayor Lane: What I've got here, this would have been with the motion when we got to that, is Consent Item 6, permanent extension of premises 2 EX 2020 has been removed at the request of staff. And then Consent Item 18, NCAA Men's and Women's Division 1 National Golf Championship, Resolution 11709 needs to be removed at the request of staff.

Carolyn Jagger: The motion would need to include both of those. It would not need to include Item 9 or 23.

Mayor Lane: In the motion.

Carolyn Jagger: In the motion, correct.

Mayor Lane: Unless there is any other questions on the Consent items.

Councilwoman Whitehead: I still wanted to state a few comments about the naming rights here.

Mayor Lane: I'm sorry. I didn't understand you to say that. I thought you were just unfortunately, you weren't able to be here to make the comments. I'm sorry. Please go ahead.

[Time: 00:32:42]

Councilwoman Whitehead: Thank you. Thank you. Again, thank you Councilwoman Korte for your remarks. I just want to stress that things in our Preserve are only named for those who have truly earned it. And certainly Mayors Sam Campana and Mary Manross have both done so much as Councilwoman Korte has indicated. I did not work with Mayor Campana. But I worked with her plenty afterwards. But I worked closely with Mayor Mary Manross and I want to go over some of the items that she accomplished while as Mayor and for the Preserve.

For eight years as Mayor, she led the effort to hold off numerous attempts to put our northern state lands out to auction for development. At the same time she helped to lead Scottsdale's successful API hearing that resulted in 80 percent of our land being reclassified as suitable for conservation. Those eight years gave our city the time to accrue enough capacity so those lands could eventually be purchased for the Preserve. The reason this naming is so special is also that without Mayor Manross's

strong leadership during the Toll Brothers condemnation case, the Gateway would not exist and there would be no beautiful (inaudible) bajada. Instead, Thompson Peak Parkway would be where the amphitheater is. Those are my comments. Thank you.

Mayor Lane: All right. Thank you Councilwoman Whitehead. With that, we're ready to vote on the Consent Items 1 through 23A. We do have two items that needed to be added to that motion and what I would say if you want me to just go ahead and mention the wording on the motion, Consent Item agenda 1 through 23A with the exception of Consent Item 6 is a permanent extension of premises has been removed at the request of staff. Consent Item 18 NCAA Men's and Women's Division 1 National Golf Championship Resolution 11709 is removed at the request of staff. That would be the motion. If somebody would make the motion on that.

Vice Mayor Littlefield: So moved.

Mayor Lane: Motion made by Councilwoman, Vice Mayor Littlefield.

Councilman Phillips: Second

Mayor Lane: Give that one to Councilman Phillips. Ready then to vote on those Consent items, absent those items so noted in the motion.

Councilwoman Whitehead: Aye.

Mayor Lane: Unanimous then. 7-0 on the Consent items as was moved.

## **REGULAR AGENDA**

### **ITEM 24 - TAX ON FOOD FOR HOME CONSUMPTION**

Mayor Lane: Moving along to the Regular Agenda Items, 24, and 25. First item is the tax on food for home consumption. We have presenter Jeff Nichols, City Treasurer.

[Time: 00:36:00]

City Treasurer Jeff Nichols: Thank you, Mr. Mayor, members of Council. Elimination of sales tax on food for home consumption. The reason we're here, on February 4th, Mayor Lane made a motion to agendaize at a future date discussion of possible action on the elimination on the tax on food for home consumption which was seconded by Councilwoman Korte, carried 6-1 with Councilwoman Milhaven dissenting. To give you the breakdown of the components of the 1.75 percent sales tax rate, the Council has the authority per state statute to set a sales tax rate or transaction privilege tax rate, as it's called in code of up to one percent without the vote of the public. Everything above that requires a vote of the public.

I list the other sales taxes that have been approved, .1 percent for public safety was approved in 2004 by the voters. In 1989, right below that, the .2 percent was approved by the voters for transportation, both operating and CIP, it's split 50/50, when we bring it in. In 2018, the voters approved .1 percent ALCP

transportation sales tax, which runs for a period of ten years and then it expires. In 1995, voters approved the .2 percent Preserve fund, which expires in 2025. Then again in 2004, same time as the public safety sales tax went forward, voters approved .15 percent increase in the sales tax to go to the Preserve fund which expires in 2034.

So on this side, sales tax collections over the last ten years, these are the actual sales tax collections. As you can see, increased substantially. So over the ten-year period, the sales taxes collected have increased by \$76.9 million. If you take out that one, the last tranche, the .1 percent of the ALCP sales tax, because it didn't exist in 2009; 2018/19 was the first year that we collected that. And that means it would have increased over that period of time by about \$72.2 million. Our revenue from the sales tax. Over that same period of time, again fiscal year through 09/10 through 2018, the sales tax on food for home consumption, increased approximately \$3.6 million, excluding the one related to the transportation sales tax, about \$3.3 million.

I think the difference between the two sales taxes shows you over that ten-year period when people had increased money to spend, it wasn't necessarily spent on food for home consumption, people were going out and buying different things with that. Tax on food for home consumption, the adopted budget of approximately \$15.3 million, that was an increase from the prior year, 18/19 actuals, of 13.3 percent. And then again when we bring forward the 20/21, budget, we update that forecast. It's been updated to \$16.2 million. You see the various funds that it's going in there. 1.1 on the General Fund. Transportation funds and the Preserve. Again, over this period of time, 19/20, from our adopted to our forecast, it increased approximately 20 percent, estimated collections on that tax.

So here is the history of General Fund sources. Those sources include not only the sales tax but state shared revenues and the other property tax, primary property tax. The other funding sources we use to run our General Fund operations. And you see over the period of time the revenues have increased by about \$72.7 million or about 31.3 percent. While the food for home tax has increased about 33 percent during that same period of time. You'll notice there on the bottom, I had broken out the food tax as a percent of the total revenue column. It's pretty consistent that that sales tax on food for home consumption has paid for about three percent of the costs, amounted to three percent of the total revenues collected within the General Fund. So the other 97 percent comes from other revenue sources.

When you look at the history of General Fund uses, again looking at the uses over that period of time, increased by about \$40.7 million, in '18/19, \$265 million a growth from \$224,000. Again, that's an increase over that ten-year period and our General Fund uses of about 18.1 percent. You may recall from the previous slide, our uses over that ten-year period of time went up about 18.1 percent while our revenues grew at 33.3 percent. So revenues were outpacing our increases in spending, thus building up our fund balances within the General Fund.

[Time: 00:41:55]

So now we look going forward. And as I talk about this, I want to let you know, you notice it says forecast on top. This is our first stab if you will at forecasting, both the General Fund sources and the uses. Since I had put this slide together, the City Manager has given budget staff direction. We had included about approximately \$8 million in out of budget packages. The City Manager has gone back

and said in those out of budget packages take out any increases in FTEs or employees and also limit the out of budget packages to what is necessary or what he considers emergency operations. Mostly related to the fire and police department areas. Some of those packages have been reduced. I didn't have time to update this slide. I wanted you to be aware of this as we move forward. This is a moving number. This will probably change up until the time we present the proposed budget to Council. So keep that in mind.

But what we're showing here is total sources increase \$13.5 million. Between the ending 19/20 forecast and 24/25, which is only about 4%. When we were putting together this budget, we were already really having flat growth in our revenue over the five-year period, four percent, nowhere near if you remember back the 33 percent over the ten-year period that revenues increased. So just take the top line there, taxes local, you see the forecast of \$153, \$153.5 million. And then 20/21, the next fiscal year, we're bringing it down to \$147.8. We were showing a reduction in these revenue sources and then we were growing them very slowly. And the reason we did that, is because after the great recession we have had 128 months of growth since that recession. The longest period of growth after any recession in the history of the United States, that growth has been somewhat slow, though.

Normally when you're coming out of a recession, you get a fairly large bump. Two to three percent, every year, year-over-year, it's been steady and slow. So we knew at some point in time, we would be facing another recession, we didn't know when. But we thought it would be coming within this five years that we were bringing forward. We had flattened that revenue growth if you will. So then you look, and you see the majority of the end balance between the growth of total sources and uses. The uses increase outpacing the revenue growth by a considerable amount. Where you see that play out is if you go down into the fund balance category, pension liabilities, and really that is a reserve or as the City Manager likes to call it a designation for that issue.

[Time: 00:45:14]

You see in 19/20, it's at 60 let's say \$60 million. At the end of 2021, that would grow to \$69.6 million. Grow to \$75.7 or \$8 million in 21/22. And then it would start decreasing through 24/25, when we were forecasting to have a balance left of about \$40 million within that designation. The difference between the revenue growth and the expense growth is really shown in that line item. And that is where it's presenting itself. So that money that we have built up over the last few years, especially in the last three or four, will be going down over the next five years.

And one thing I am pointing out, you look in fiscal year 19/20, the forecast, we had line itemed the food tax and the food tax for public safety a little bit over ten million dollars. And then down in the uses, the transfers out to the CIP, food tax. Again, we had lined that out at approximately \$5 million. So it's the difference between the two. When we bring that \$10.8 million into the General Fund and we're going to transfer out about half of that, two-thirds of it out to CIP, General Fund CIP. So the difference to the General Fund operating is the net of those two. And this is a high level view on that.

Again, you see the percent growth and the revenues, very slow compared to the last two or three years. Some years not growing at all. While the total uses and the percent growth in the total uses is averaging about three percent per year. So we have our uses outpacing our revenue growth and that is going to eat into that fund balance or that designated reserve we have on PSPRS. So then we show the General

Fund without the food tax and what that looks like. And again, the line items that change, you don't see and the sources, you don't see the designation for the food tax for the General Fund and the General Fund public safety. But you also don't see the transfer out going from the General Fund operating into the General Fund CIP. Where it presents itself, again, down in the ending fund balance, you see PRS pension liabilities or designation reserve, whatever you would like to call it.

In the five-year plan, that decreases from approximately \$65 million, \$65.8 million in 20/21, all the way down to \$5.4 million in 24/25, that would be a 92 percent decrease in that designation. Again, would like to point out we don't touch the operating reserve which is a line item that we budget for every year at ten percent of General Fund uses. We're not touching the operating contingency, we're not touching the set aside that we put aside for the Nationwide, the agreement that we have with Nationwide should they be successful with their project. The only thing being impacted is the one reserve liabilities on PSPRS. This is a very high level General Fund sources versus uses. You see the forecast on the sources. Actually a three percent reduction in 2021, versus if we had cut the food tax in there, the growth was about one percent. The uses continue to grow of about three percent.

And some of the cities that we compare ourselves to, these ten cities, I use these cities because when we do an analysis whether we're compensating our employees fairly, these are the ten cities that we compare ourselves against. So I looked at them in relation to do they have a sales tax on food for home consumption or not. As you see seven of them, seven of the ten or 70 percent do have a sales tax on food for home consumption. But when you look at the populations, because of Mesa/Phoenix carrying the most weight per population, the people within these ten cities, about 62 percent do not pay any sales tax on food for home consumption. Again, it's because how big Mesa and Phoenix are weighted compared to the rest.

[Time: 00:49:58]

Now, if the food tax was eliminated and the impacts to the CIP General Fund, since that transfer would not be made from General Fund operating to the General Fund CIP, staff would need to look for, in the five-year CIP General Fund plan and reduce that by approximately \$8.2 million. I just wanted you to be aware of that. It would be an action that staff would have to take and work through. I've been asked, when we sell municipal property corporation debt, we pledge our excise tax revenues to cover that debt. In our official statement, we promised the buyers of that debt that we will keep that revenue at a level that will provide three times the coverage. If the debt was one million dollars, we would have three million dollars to pay that debt. 2010, we've been well above the average. 2019, we were at 4.25. When staff did the analysis on the elimination of sales tax for food for home consumption, that falls to 4.09 percent.

One thing that is not on this slide, majority of our NPC debt is now being issued for water and waste water projects. Rates and fees related to water and waste water are not considered excise tax revenues. We do not use those revenues to calculate this coverage. When you take into effect the rates, it rises to the level of over 14 times on the debt coverage. So not going to be an issue. When I talked to our financial advisor at Piper Sandler, they said just the act of reducing or eliminating would be what he considers a credit negative. However, they look at the big picture and how that is managed after that action has taken place. He didn't feel that this action in and of itself would leave to any down rating on our bonds whatsoever. He felt confident about that. And so the four options you have in front

of you, I'm not going to read them off. But there are four options, one to four. Staff always says your one option is to make no changes and stand pat. So that is the end of my presentation. And I would be happy to answer any questions that you may have.

[Time: 00:52:43]

Mayor Lane: Thank you, Mr. Nichols. I think that some of those options may change in numbers or otherwise. But the one thing I was going to ask you about, just to make sure we're pointing it out clearly, that you were looking at the five-year budget line when you were talking about the \$8.2 million.

Jeff Nichols: Yes, sir.

Mayor Lane: Yeah.

Jeff Nichols: For the CIP, the General Fund CIP, it would be the five-year plan, would have to be reduced by \$8.2 million. I wanted to add as well, some of that reduction is going to be necessitated by the reduction in the amount of interest that we earn. Anything in the General Fund interest earned in the General Fund above one million dollars gets transferred to the CIP, General Fund CIP. That interest earnings is being reduced by the Feds' actions lowering the discount rate to the extent that they have. So the investments that we have within our five-year window that we look at, our return on investments we feel is going to decrease over the next five years related to that. That will have an impact on what gets transferred out to the General Fund. General Fund operating to General Fund CIP as well. So that is going to be there no matter what.

Mayor Lane: All right. We do have one request to speak on this.

Councilwoman Whitehead: I would like to add my name to the list to speak as well.

Mayor Lane: Councilwoman Whitehead, we've got a request to speak in the public. Go ahead and take that.

Councilwoman Whitehead: I can't seem to get the TV up. Okay.

Mayor Lane: Okay. Mr. David Smith, one donated card from Diana Smith.

[Time: 00:54:17]

Former Councilman David Smith: Good evening, Mr. Mayor. These are difficult times that we're living in. And I empathize with all of you as you try to carry the city. I wanted to see if I could simplify it, not for you, I think you know the numbers, for citizens who may not be aware of it. What I've displayed on the screen is the budget that you all approved for this year. At least as far as food tax is concerned. You approved a budget that would put \$4.1 million into the General Fund. \$5.5 million into the CIP fund. 1.7 into transportation, .9 into the ALCP temporary fund. And \$3.1 million into the Preserve funds. For a total of 15.3.

And the discussion for the most part, in spite of what we may hear from people has mostly focused on



the \$4.1 million. Although they sometimes confusingly talk about losing \$15 million. But what we're losing in the General Fund from your budget, which you approved, is \$4.1 million. I want to emphasize and agree with anybody who says that it is a difficult time to make this decision. The timing couldn't be worse in terms of uncertainty in our economy. But the insensitivity of this argument is to say that we're not going to cut taxes for the people when the economy dips and when people need the most help. We are instead going to ask for this \$4.1 million, to continue to be taxed, so that we can add it to the General Fund reserve, which you'll hear later in the financial presentation, reached \$60 million of undesignated reserve funds and we need to boost it up by 4.1 million more. Or whatever the number turns out to be.

It is a difficult time. But I think it's a time when it is prudent to make this decision. You talk about sometimes replacing the tax revenue. I would point out to you from the slides that Mr. Nichols put up on the screen, we've already replaced the revenue. We did that during the myriad of years that we postponed this decision. When revenues increased to the point of creating the 61 percent increase in sales tax revenues and \$60 million in unreserved fund balance. At no time in memory can we find a more difficult time to make a decision, but a time more appropriate to make a decision on behalf of the citizens.

We postponed this decision in 2016 and we compromised in 2016. Sending the General Fund money to CIP. And if we do nothing tonight, nothing on this tax, the decision of 2016 will simply be reversed. And the effect will be to increase the taxation benefits for the General Fund. I think the General Fund doesn't need this \$4.1 million. I know for a fact the Preserve fund doesn't need the fund. You all know that as well. This is a time to show leadership on behalf of our citizens. We may not be able to protect them but we can certainly avoid hurting them. Hurting them with the most punitive tax that any city can impose on its citizens. Paraphrase President Reagan, many years ago, tear this wall down. Thank you, Mayor.

Mayor Lane: Thank you, Mr. Smith. That completes the Public Comment on it. Councilwoman Milhaven.

[Time: 00:59:21]

Councilwoman Milhaven: Thank you, Mayor. I'm not supportive, but I'm not going to speak about the pros and cons. This is a time of incredible uncertainty. I would like to make a motion that rather than discuss the relative merits of this that we need to put this off until the community can be more actively engaged. I'm going to make a motion to a future date where we can have more active participation from the citizens and our discussion. Thank you.

Vice Mayor Littlefield: Second.

Mayor Lane: Motion has been made and seconded. Just to make a comment on the idea of continuing this. I think it's important that we pursue this now. There is some additional information that I think needs to be imparted that I think is very, very important to this subject. So I would ask that we not continue it. And that we simply hear it tonight and decide. I think one of the problems is simply that we have got, as I said, if we are to have a Council policy, to actually eliminate this tax, in the forms of yet to be decided total form, we would end up with the situation where we would be asking the City Manager

to make a budget on the basis of a premise, if we hadn't already voted for it. If we make a policy decision and it's removed, the City Manager has clear note as to how to go about putting this budget together with the funds and revenue streams that are available and they're numerous. So I would say that I think it's important that we make a decision now versus later. I think it's worthy of discussion now. One final thing on that. That is we've been working on this for better than ten years. In fact, it's longer than that talking about just the topic. But what we have in front of us is stage two, something that was decided two years ago. And I think it bears completion or at least discussion on it.  
Councilwoman Klapp.

[Time: 01:02:15]

Councilwoman Klapp: Yeah. I did have some questions for Jeff. But I'm going to not ask them because right now we're talking about a motion. So I'll do that first. And my comments are very similar to what Mayor just said, that in the budget process that we've followed for years, anything that we need to decide as a Council to set policy is decided before the budget is developed. This is the way we've always done it. This is a pretty critical decision to put off, to continue to some future date when the City Manager is trying to develop a budget. So I think that this is not the time to continue this. I think this is the time to say whether or not we want to establish a policy related to the food tax. So I would not agree with this motion. We'll see how that goes and then I will have some questions for you.

Councilwoman Whitehead: May I speak?

Mayor Lane: Yes. You are next. Yes. Thank you, Councilwoman Whitehead.

[Time: 01:03:05]

Councilwoman Whitehead: I do want to thank my colleagues and the Mayor for making the removal of the tax a priority. This is not a normal time. We're experiencing a global health crisis, the president of the United States has declared a national emergency. Followed by our governor. States, cities, and the nation are setting aside reserve funds to make sure the many people who will not have paychecks will have services, will have food. This is not a normal time. And we have no projections of what our numbers will look like. What the revenue will look like. We know that our economy, in a 24-hour period came almost to a screeching halt.

This is not the time. It's better safe than sorry. We don't have answers. We don't know how many people will be infected. We don't know how much it will cost to protect these people, how many services we'll need to add in order to deal with it. It's not the time to make a cut that essentially puts \$250 a year back in people's pockets. Collectively that money could be life-saving. And I definitely support the motion. I support the idea of removing the tax. But not when we are looking at tremendous uncertainty globally, nationally and certainly in our city.

Mayor Lane: Thank you, Councilwoman. Councilmember Korte.

[Time: 01:54:53]

Councilmember Korte: Thank you, Mayor. We certainly are living in interesting times. And it's really a

time of unknowns. This agenda item was presented over four weeks ago. And it was a little more than two weeks ago when things seemed normal, that spring training games were in full swing and our tourists filled our old town streets and the galleries and restaurants. And many of us were planning our next trip to visit our parents or grandparents or grandchildren. Today, the COVID-19 virus, the COVID-19 virus, it will forever be engrained in our minds. In a short amount of time, we are faced with adapting to not only a severe health issue, we are facing a severe economic impact issue as well. And that is something that we don't know what that is.

Scottsdale's prime industry is tourism and we know that. The cancellation of spring training is a prime example of adverse economic impact. Spring training is probably the single most important driver of winter tourism in the valley. The good news is that we had at least half of the season for us. But today's reality is that we are in the beginnings of many unknowns, CDC, White House, declared yesterday to avoid any gatherings of ten people or more. They suggested local governments close libraries, and I understand we will be closing our libraries as of tomorrow. Museums, senior centers and more. And our schools are shut down. The ripple effect of this is enormous and immeasurable at this time.

[Time: 01:06:39]

We have a choice tonight, if the Council majority eliminates the food tax, I believe we compromise funding of many things, but primarily our public safety. This is not a time to undermine our public safety personnel. Our dedicated police and fire personnel are on the front lines of this coronavirus pandemic. They're risking their lives every day to protect our community and it's not the time to undermine their ability to protect the health and well-being of our Scottsdale citizens. At this time of great uncertainty, we must rely heavily on city's first responders. Today our Scottsdale city budget funds many items which will be essential during this time of economic uncertainty. And we know today that over 55 percent of our General Fund budget covers police and fire and to cut a tax in the wave of economic uncertainty is not prudent.

Rather than singling out one tax, we should be considering a comprehensive plan to address the economic tsunami that is befalling our service based economy. We should be looking at refinancing long-term debt and getting small businesses and hotel service industry an opportunity to hang on by providing tax relief to permit them to continue to employ people during this temporary slowdown. Cutting taxes is unwise, clearly out of step with what is necessary to provide leadership to our community during this economic crisis. Our service based economy is based on serving others. Today those tourists are not here. And you know, we're not going, the tourists will not be here for months to come. Today, we must take that service based ethic and begin serving our own community. Our own small business owners whose businesses may be in jeopardy. Hotel and visitor employee base that will be hard pressed to meet their monthly obligations. Our citizens who are faced with child care issues and furloughed jobs. It's time we begin serving one another, rather than our political ambitions. It's time to begin the hard work of governing like responsible adults. It really is large and I believe it's going to be devastating. And it's time to step up. And that is why leadership matters. Thank you. I will be supporting the continuance.

Mayor Lane: Vice Mayor Littlefield.

[Time: 01:09:29]

Vice Mayor Littlefield: Thank you, Mayor. This is a very difficult decision. But I do not believe that now is the time to cut this tax out of our budget. We do not know at this time how much our budget is going to be impacted by this virus. We know we're a tourism industry. Our revenues depend on high tourism dollar and it's going to be cut. How much we don't know. And to do something now, could be drastic effects later on in cuts for ambulance people, it would be irresponsible at this time.

I won't repeat all of the different things that Councilwoman Whitehead said, but I am no support of those things. I think if we can at all possibly try to work over the next month or two what impact this virus is going to have. We need to have some idea whether or not a budget we pass this spring is realistic with this tax. We need to know what we're looking at. I don't want to cut off any source of income at this point in time that we have available to us to maintain our budget and city services and to keep our city running for the health and welfare of all of our citizens. Thank you.

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

Councilwoman Milhaven: I realize when I say until more people can participate is kind of vague. I thought I might be try to be specific. Continue this until a vote of the Council decides to put it back on the agenda if I could modify that. Thank you.

[Time: 01:11:39]

Mayor Lane: Well, I will tell you that it serves as a disappointment because really the extent of money that we're talking about, by virtue of significant reserves, a clawback position we took, the fact the second stage of this, with what we've weaned from the General Fund to begin with, reduces its number to \$3.8 million. And it's not the numbers you're talking about as far as, frankly, there is other further compromises, requires the other funds that expire.

We can talk about leadership. We can talk about empathy. We can talk about what happens in a crisis as to whether you actually help people that are on the lower end of the demographic turn or whether we suck it up and grow our government which right now has been lined out to be a major growth line, even though, as anticipated even before this particular thing, a downturn in the economy, as would be normally expected. Growing wages, salaries, everything is on the upswing and to use the money, the clawback, which was the clawback itself ended up at \$5.6 million in the coming year. We were to eliminate the contribution to the CIP fund from these tax moneys by virtue of the bond being issued. That would be the second phase.

The promise was that that would be with that vote that would go away. The rest of the other arguments that somehow tourism pays into this fund, they don't. It's a very insignificant amount. A number of other things. I'm disappointed. Further disappointed that somebody would take the time to say that this is somehow or other an indication of lack of leadership. Tax cuts at any time, particularly when the lower end of our society has a need for two or \$300. I know most of the people who object to this, 2 or \$300 this tax cut, 2 or \$300 is meaningless. But it probably closely aligns to the increased taxes that they're going to be receiving through the bond that they overwhelmingly passed in order to get this. So I'm disappointed. I suppose I shouldn't be surprised. Because there are political actions that go both ways on this kind of question. Councilwoman Klapp.

[Time: 01:14:32]

Councilwoman Klapp: Yeah. I just want to make a comment. I know this motion will pass, but just jogged my memory, we're agreeing to continue on with the tax that we've been discussing for a long time that we probably should get rid of, and agree to move these funds into CIP because we wanted to wean our budget off of them. So those that don't want to further discuss even what we might do here, are really not too concerned about the less fortunate in this city who are being taxed on a regressive tax. So we're going to continue this tax because we can. Even though I think we should remove this tax because we should. So final comment.

Mayor Lane: Thank you, Councilwoman. Councilman Phillips.

[Time: 01:15:20]

Councilman Phillips: Anything I say at this point is kind of moot. Because we've got the votes to continue it for another time. Obviously before this disease happened, I was very confident that this would be finally the time that we could get rid of this tax. Things have changed. It scares a lot of people and they're nervous about we better keep as much money as possible because who knows how bad this is going to get. And I can fully understand that. My personal opinion is that this is over-taxing, we don't need this money. We've been over-taxing for years. And it was time for us to get rid of this tax. But you know, like I said, my point is moot at this point. Because you already got the four votes. So we're going to continue it. Hopefully someday it will be a bright sunny shiny day and we'll have another 60 million in unreserved funds and we can talk about it again. Thank you.

Mayor Lane: Thank you, Councilman. I'm just going to take a point of position here and say that not only am I disappointed, but at the same time, you are talking about something that is a challenge between growing government and getting money to help people back in their pockets. We're going to use this money to grow payroll, programs, we're going to grow government here. That isn't necessarily going to go directly to helping anybody who is affected by this, other than doing our job here, which certainly it's important. But I think we're capable of doing that. So I'm just, I think that is where we're at. And you know, as Councilman Phillips said so wisely, it is moot at this point. Councilwoman Milhaven.

Councilwoman Milhaven: We all have the greater good of the community in mind, we simply differ on how best to take care of our community. I don't question the motives of our colleagues. I think we want the best thing for everybody. I think folks are done.

Mayor Lane: So they are. So we have a motion on the table to continue this to a point where Council will be so inclined. So with that, I think we're ready to vote.

Councilwoman Whitehead: I vote in the affirmative.

Mayor Lane: Okay. It's 4-3. With the affirmatives for the continuance. Prevailing. So thanks for the conversation and discussion. And that completes that item.

**ITEM 25 - MONTHLY FINANCIAL UPDATE**

Mayor Lane: Next item is City Treasurer stands at the podium ready and waiting at the monthly financial update.

[Time: 01:19:06]

City Treasurer Jeff Nichols: I'm going to keep this at a very high level, unless you all have any questions, because this is a monthly financial update as of February 29th, 2020, as was discussed many things have changed since that date and time. Looking at our General Fund operating sources, right now we enjoy a favorable variance in that of \$10.1 million? Most of that with taxes local, some of the other variances you see activity there in building permits and fees. We were enjoying positive variances in every sales tax category at that point in time. Operating uses, favorable variance of \$2.5 million, the majority of that coming from personnel services and contractual services.

Dive down into personnel services, you see a salary savings, we will probably enjoy those savings, most of that is hiring people at a lower salary than the people that had left. Some of the events that we had in the city before they cancelled said events, we enjoyed those and it costs us more than we thought it would. So in summary, you look right now, total, variance positive \$12.6 million, \$10 million coming from the revenue side. \$2.5 million from the use side. I would take any questions you may have.

Mayor Lane: Thank you, Jeff. Seeing no questions, thank you. We do not have any Public Comment. Petitions. Mayor, Council items.

**ADJOURNMENT**

[Time: 01:21:35]

Mayor Lane: With that, I think we've completed our business for this evening and I would entertain a motion to adjourn.

Councilwoman Klapp: Move to adjourn.

Councilmember Korte: Second.

Mayor Lane: Motion to adjourn and seconded. All in favor of adjournment, please indicate by aye. We are adjourned. Thank you very much.