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CALL TO ORDER

[00:00:03]

Mayor Lane: Good evening everyone and welcome to our Regular Meeting of May 5, 2020. And welcome everyone on the line. I would like to ask to call this meeting to order. It is the May 5, 2020, City Council Regular Meeting and approximately 5:05.

ROLL CALL

[Time: 00:00:27]

Mayor Lane: Clerk Carolyn Jagger, Would you please conduct the roll call?

City Clerk Carolyn Jagger: Mayor Jim Lane?

Mayor Lane: Present.

City Clerk Carolyn Jagger: Vice Mayor Kathy Littlefield?

Vice Mayor Littlefield: Present.

City Clerk Carolyn Jagger: Councilmembers Suzanne Klapp?

Councilwoman Klapp: Here.

City Clerk Carolyn Jagger: Virginia Korte?

Councilmember Korte: Here.

City Clerk Carolyn Jagger: Linda Milhaven?

Councilwoman Milhaven: Here.

City Clerk Carolyn Jagger: Guy Phillips?

Councilman Phillips: Here.

City Clerk Carolyn Jagger: Solange Whitehead?

Councilwoman Whitehead: Here.

City Clerk Carolyn Jagger: City Manager, Jim Thompson?

City Manager Jim Thompson: Here.

City Clerk Carolyn Jagger: City Attorney, Sherry Scott?

City Attorney Sherry Scott: Here.

City Clerk Carolyn Jagger: City Treasurer, Jeff Nichols?

City Treasurer Jeff Nichols: Here.

City Clerk Carolyn Jagger: City Auditor, Sharron Walker?

City Auditor Sharron Walker: Here.

City Clerk Carolyn Jagger: And the Clerk is present.

[Time: 00:01:04]

Mayor Lane: Thank you. I'd like to make a few notes on some things that we need to do in order to conduct our City Council Meeting virtually. Please mute yourself, it's in the lower left-hand-corner of the zoom window. When you are not speaking, make sure to mute yourself when it is your time to speak. I will ask each councilmember individually for questions or comments. After each councilmember has had the chance to speak once, if you have additional questions or comments, please use the raise hand option on your Zoom screen and I will be notified to call on you.

MAYOR'S REPORT

[Time: 00:02:06]

Mayor Lane: Just a few things in the Mayor's Report and I would like to say a couple things about the development as the Governor has considered, as the country has as far as re-opening our government and city and opening up restaurants for dining room service. Of course, subject to some of the same kinds of distance issues and the other cautions that are necessary to conduct a sterile environment. Cosmetology services are going to be open for in-person operations starting the 8th and they are going to have the opportunity to be in-store sales opposed to what was established last week with at the curb or delivery window. So, it is going to be on a restricted basis and the other protocols that are necessary to maintain a sterile environment.

Our intention is to re-open the dog parks, skate parks, and tennis and some pickle ball courts, and they have been recently resurfaced and ready to play on that opening. So, that's one reason for that. The restaurants are going to have dining room service available with the strictest adherence to dining capacity in most dining rooms. But it is a start and a move back towards some normalcy.

We are not through this, but we have and it has been calculated by the Governor that we have been successful in certain elements in tamping down what would be the first potential spike into a curve, a lower curve in order to make sure that we protect our healthcare systems with being overloaded, which was at one-time anticipated to be a spike. So, we continue on in best of form maintaining safety for ourselves and others around us and we will come back to what we hope to be a completely normal economy and situation for us. It will be something to overcome and takes some time, but we are hoping for that. So, just a little on that and wanted to give you that background.

MINUTES

[Time: 00:05:26]

Mayor Lane: The next item of business is the approval of the minutes. These are for the Regular Meeting Minutes of March 17, 2020, and April 7, 2020. I would accept a motion and a second. Please say your name before making the motion.

Councilmember Korte: Mayor, Virginia Korte and I move to approve.

Mayor Lane: Thank you.

Councilman Phillips: Second, Guy Phillips.

Mayor Lane: Thank you very much. The motion has been made by Councilwoman Korte and seconded by Councilmember Phillips. Then we will take action by roll call and I will ask the City Clerk Carolyn Jagger to announce each councilmember for their vote.

City Clerk Carolyn Jagger: Mayor Lane?

Mayor Lane: Yes.

City Clerk Carolyn Jagger: Vice Mayor Littlefield?

Vice Mayor Littlefield: Yes.

City Clerk Carolyn Jagger: Councilmember Klapp?

Councilwoman Klapp: Yes.

City Clerk Carolyn Jagger: Councilmember Korte?

Councilmember Korte: Yes.

City Clerk Carolyn Jagger: Councilmember Milhaven?

Councilwoman Milhaven: Yes.

City Clerk Carolyn Jagger: Councilmember Phillips?

Councilman Phillips: Yes.

City Clerk Carolyn Jagger: And Councilmember Whitehead?

Councilwoman Whitehead: Yes.

City Clerk Carolyn Jagger: The motion passes unanimously.

CONSENT AGENDA

[Time: 00:06:39]

Mayor Lane: Thank you. We will be moving onto Consent Agenda Items 1 through 10A. And I will ask City Councilmembers one by one if they have any comments. I will start with Councilwoman Littlefield.

Vice Mayor Littlefield: I have no comments.

Mayor Lane: Councilmember Klapp?

Councilwoman Klapp: No comments or questions.

Mayor Lane: Councilmember Korte?

Councilmember Korte: No comments.

Mayor Lane: Councilwoman Milhaven?

Councilwoman Milhaven: No comments.

Mayor Lane: Councilman Phillips?

Councilman Phillips: No, Mayor.

Mayor Lane: And Councilwoman Whitehead?

Councilwoman Whitehead: No comments.

Mayor Lane: I have no comments. With no changes or comments, I would accept a motion and a second.

[Time: 00:07:42]

Councilmember Korte: I move to approve City Council Item 1 through 10A.

Councilwoman Whitehead: Seconded.

Mayor Lane: The motion is made by Councilwoman Korte and seconded by Councilwoman Whitehead. We will take action by a roll call vote and I will ask the Clerk to announce each councilmember for their votes.

City Clerk Carolyn Jagger: Mayor Lane?

Mayor Lane: Yes.

City Clerk Carolyn Jagger: Vice Mayor Littlefield?

Vice Mayor Littlefield: Yes.

City Clerk Carolyn Jagger: Councilmember Klapp?

Councilmember Klapp: Yes.

City Clerk Carolyn Jagger: Councilmember Korte?

Councilmember Korte: Yes.

City Clerk Carolyn Jagger: Councilmember Milhaven?

Councilwoman Milhaven: Yes.

City Clerk Carolyn Jagger: Councilmember Phillips?

Councilman Phillips: Yes.

City Clerk Carolyn Jagger: And Councilmember Whitehead?

Councilwoman Whitehead: Yes.

City Clerk Carolyn Jagger: The motion passes unanimously.

Mayor Lane: Thank you. We will not move to the Regular Agenda items and I will turn it over to City Treasurer, Jeff Nichols and City Manager Jim Thompson

REGULAR AGENDA ITEM 11 – PRE TENTATIVE FY 20/21 OPERATING BUDGET AND CIP

[Time: 00:08:43]

City Treasurer Jeff Nichols: I'm going to be talking to you about the pre-tentative budget. I want to people know that we're trying a "data-driven" approach and we're doing this, and we pushed the budget back, the tentative budget adoption from May 5th to May 19th.

That's as far back as we could move it per state statute, we have publishing requirements for budget forms in the district hearings and the adoption. The final budget adoption now is on the 16th.

And that's per the City charter that the City Council shall at the first Regular Meeting in June. We will hold the Truth in Taxation and street light hearings on the same date, and we will adopt the tax levies on June 30th.

We received a majority of the sale tax collections, last payment was on May 1st and won't be receiving any April sales tax collections until May 15. The tentative budget adoption sets the ceiling, so you cannot increase the final budget adoption, but it can be decreased. For the mail sales tax collections, we are going to receive them on June 12th. Some of the data is specific to Scottsdale and some is not. But I look to the data specific to Scottsdale to make our decisions.

As I mentioned there was a May first payment, so, to date, our March sales tax collections, 82% of the 1,608 businesses have filled or 1,320 of those businesses. The automotive sector is down 12% or 309,000. The construction sector is down 39% or 452,000. Food stores, as we'd most expect are up 29% or 361,000. Hotels and motels are down 56% and 976,000. Major department stores are down 16% or 243,000. Other taxable activity is down 19% or 207,000. Rentals is at budget. Restaurants are down 40% or 533,000 and utilities are up 5% or \$22,963.

So, overall, on the TPT, the 1% sales tax that goes to the General Fund, we are down \$2.8 million when comparing March 2009 to March 2020 activity.

I know there is discussions out there regarding to the issues that we are facing, but the local sales tax that we receive, the state shared sales tax has a lag and we are going to receive a figure for next fiscal year, and we will get next years numbers which will be accurate and we are going to receive that from the Arizona league of cities and towns. We continue to see building activity at nationwide, Caesar's just north of fashion square and these types of efforts relate to these company's long-range planning and it makes sense they would continue to move forward.

We'll see whether these building permits and fees continue regarding the housing market because some data is started to be collected on the impact that COVID-19 is having on home construction and sales. I would note that we normally receive payment for the state shared sales taxes by the 10th of the month and more than likely, we are going to have that data point by May 11th, which is before the budget adoption.

The consumer confidence board said on Tuesday that its consumer's confidence fell to 86.9 down from

118.8 in March. 70% of the economy is based on consumer spending. When consumers are not comfortable spending, they are not on a spending contracts. The personal savings rate increased to 13.5 which is the highest since 1975. Retail sales posted their largest monthly drop, 8.7% month over month since recordkeeping began in 1992. Unemployment claims in the last six weeks were in excess of 30 million. The expectations are that the unemployment rate is going to approach 15 to 20%. Put that in perspective, in the last recession, the economy shed 8.7 million jobs and the unemployment rate peaked at 10%.

Consumer were asked in April to identify which aspect of the Coronavirus they were most concerned about: The threat to their health, the required social isolation, or the impact on their finances. This chart shows the results of that survey. As you note, the responses are similar across all socioeconomic classes. The primary cause of the crash in the economy and that confidence was the Coronavirus rather than an economic event. The economy was in sound financial shape when COVID-19 hit.

Regardless by the official announcements made by state or federal agencies, consumers will form their own opinions about the Coronavirus for themselves and for their families. This is what is making projecting the decrease in funding sources for the next fiscal year a challenge. The question is when will consumer feel confident to get back into the marketplace with other people?

What is remarkable about the 4.8% decrease in GDP, only two weeks of the first quarter of this calendar year included the emergency order closing the economy. During the Great Recession in the third quarter in 2008, there was a 8.4% decline in GDP and the expectations for the next quarter are far worse with a median expectation of decline in the GDP of 26%. Overall, economists are expecting a 5% decline in GDP for 2020.

Consumer spending accounts for approximately of 70% of the economic activity and in March, it declined by 7.5%. The 29.4 drop in household sentiment of current conditions was unprecedented. Almost double the prior drop set in October of 2008. Just recently, the institute of supply management fell in April, and was less than the decline expected by the market, however, anything less than 50 is considered a contraction. Of the 18 manufacturing industries, the two that noted growth not surprisingly were paper products and food and beverage and tobacco products.

The City delivers service, that's what we do. Whether the services are in our public services, libraries, at the aquatic parks, or at our senior centers, it takes people to maintain those services. Personnel services take up 74% on the total budget.

Our ability to continue to provide services in all of these decisions from public safety police and down to the Mayor and City Council was helped in large part by our Information Technology staff, which is housed in the administrative services division. Staff in the City Treasurer's office insured that those providing those services continued to get paid and accounted for the services used in the response, the City Clerk and City Managers offices ensured that we had the ability to continue meeting via Zoom with the assistance of IT. The reason that I point these out and there are many others is the same reason that I advocate for a "data-driven" approach. We know that the fundings are decreasing, how much and the depth of those deceases and for how long is the question. I want that data to be Scottsdale-specific to the extent practical. Thank you, Mr. Mayor.

Mayor Lane: Thank you Jeff, are there any comments?

Management Assistant Megan Lynn: I have a comment by Councilwoman Korte.

Mayor Lane: Okay, Councilwoman Korte.

[Time: 00:21:43]

Councilmember Korte: Thank you, Mayor. On the March sales tax activity, you were referring to numbers that were different than the chart given to us in our packet or on the screen.

City Treasurer Jeff Nichols: Mr. Mayor, Councilmember Korte, that's correct. What I did is those were numbers that we had for the 53% of merchants out of the 846 businesses that had filed and paid their taxes by April 24th. I updated those numbers for those people who filed their March returns by May 1st.

Councilmember Korte: Thank you for that. Would you please provide those updated numbers to us? And to the public?

City Treasurer Jeff Nichols: I will do that, and I will also provide them to the City Clerk.

Councilmember Korte: Thank you. Thank you, Mayor.

Mayor Lane: Thank you. Is there another hand raised?

Management Assistant Megan Lynn: I do, I have a hand raised by Councilmember Klapp.

Mayor Lane: Okay.

[Time: 00:23:02]

Councilwoman Klapp: Yes, I have a question about that same topic that was raised by Councilwoman Korte and that is Jeff, you mentioned that the total decrease in TPT was 2.8 million, comparing March to last year, what's the percentage decrease month to month? From March last year to March this year?

City Treasurer Jeff Nichols: Mayor and Councilwoman Klapp that's a 26% decrease from March 2019 to March 2020.

Councilwoman Klapp: Thank you, Jeff.

City Treasurer Jeff Nichols: You're welcome.

Mayor Lane: Thank you Councilmember Klapp. Megan, do we have any other questions?

Management Assistant Megan Lynn: We still have hands raised by councilmembers Virginia Korte and Suzanne Klapp. I believe their questions were answered.

Mayor Lane: Okay. When I raise a hand, do I need to keep it raised?

Management Assistant Megan Lynn: You can go ahead and lower your hand and we know that the question has been answered.

Mayor Lane: My question hasn't been answered. I wasn't called upon. I didn't know if I should ask or wait for you to let me know that it was my turn.

Management Assistant Megan Lynn: Sorry, I misunderstood your question, Mayor.

[Time: 00:24:21]

Mayor Lane: You mentioned something about recovery speed and the data, it is noted to be a faster recovery than any others than in recent times or I'm not sure, in history. What was the source of that and what basis was that conclusion drawn?

City Treasurer Jeff Nichols: That was an economic and capital market update that was put out by Bob Blake Moore, a chief investment strategist.

Mayor Lane: Were there points of note that made it distinction between this and others because we look at the depth, not only in the potential reduction of the GDP, the extent of debt that has been incurred to try and recover. Some businesses may not recover. And we are looking at a substantial reduction in overall economy activity like I haven't seen in my lifetime. And another thing that you sent to us some time ago and that's when Fitch interviewed the City on our ratings and the point of concern to our reliance and dependency to the extent that we have on tourism and sales tax revenue. And that also gives me a pretty clear indication of at least, on a rating standpoint of the security of debt that we may have already issued and its payment.

That sort of lends me to think this is not only a deep and significant drop all the way around, which is obviously to everybody, but it is going to take some time to recover from it, particularly, as it is with debt in the marketplace as it exists right now.

There was something else that you gave us and I want to mention this first before I get to another question and that is each of the categories in sales tax activities that you gave us and I noticed that you revised the numbers and I would like to get a copy of those, as indicated too because I wasn't able to get them all down, but you also had a breakdown of what our tax revenue, what areas of the sales tax generation make up the percentage of the total sales tax generation for the City of Scottsdale. Have we done anything to apply these reductions on a weighted average on what the general overall impact is in relation to an overall reduction in sales tax in each of the specific areas up and down where we ended up? Were we able to come up to, and I realize this is incomplete information and we are going to be looking to get more information, it's hard to tell which way that may take us, but even at this point in time, with somewhat incomplete and frankly, not even representative of a full period of drop, as we'll see in April, what kind of reduction have we already seen on a combined basis of all of the areas given their individual percentage of impact on their sales tax generation and the particular area where they have either been reduced or increased?

City Treasurer Jeff Nichols: Well, Mr. Mayor, I think there are a few questions in that. Let me take the first one. I believe that you mentioned the percentage of sales tax as a percentage of our General Fund budget is what you are getting to.

Mayor Lane: Actually, no. But isn't that 52% or something?

City Treasurer Jeff Nichols: The 1% and the .1% public safety that goes into the General Fund in addition the state shared sales tax make up 52% of the general fund or 50% of the total sources.

Mayor Lane: And it is probably reasonable to presume that even though it is statewide and allocated back to us on a different level that the make-up of reduction should be similar or should it be unique as far as the reduction in that sales tax, the state shared sales tax.

City Treasurer Jeff Nichols: Mr. Mayor, that's the payment that we receive on the 10th of the month and we are probably going to receive that on Monday, the 11. As you noted, Scottsdale is a donor city. I'm not sure they are going to be identical in nature because you have so many spending entities that is different in the City of Scottsdale. That's why I would like to see that data set when it comes in.

Mayor Lane: And you are saying that we are going to receive that in May?

City Treasurer Jeff Nichols: On May 11th, we will receive the March data, yes.

Mayor Lane: The March data on the state shared sales tax?

City Treasurer Jeff Nichols: The state revenue, we are going to receive a payment from the state on May 11th, I believe is when we are going to receive it for the month of March.

Mayor Lane: But it doesn't necessarily share the same kind of reduction of reduction or increase because it is jumbled up together from other communities and distributed on the basis of population. So, it doesn't go into an add, unless we have that number from last year and we can look at what the state gives to us and it would be over or below from last year, of course.

City Treasurer Jeff Nichols: Mr. Mayor, I would expect it to be below.

Mayor Lane: And the large part of the sales tax has been automobile sales and it is only indicating 9% and is that still hold or is it the old number?

City Treasurer Jeff Nichols: That's the old number and it is now down 12%.

Mayor Lane: Have we figured out an average reduction in all of the categories given their individual reduction or increase in sales tax collected for that category?

City Treasurer Jeff Nichols: Yes, Mr. Mayor.

Mayor Lane: Okay.

City Treasurer Jeff Nichols: When comparing March of '19 or March of '20, or vice versa, we have seen a 26% reduction in the local sales tax reduction year over year.

Mayor Lane: That's the number that you mentioned a little while ago on the overall?

City Treasurer Jeff Nichols: Yes.

Mayor Lane: So, we are going to see what holds for April, but at this time we are looking at 26% of the sales tax and we don't have a clear indication there has been a reduction in any other of tax revenue other than the 26%, so if I were to put it against the rest of our revenue sources and let me just ask that question: Do we have any indication of any revenue reduction in any of our other categories that would affect our overall revenue forecast?

City Treasurer Jeff Nichols: We have some idea, as I shared. Our permits and fees are remaining steady. These firms are pulling their permits and we are enjoying that revenue. When you look at the different slides or the different revenue sources that we have. I'm trying to get back to that slide. All of these, Mr. Mayor, I believe are going to be somewhat different so unlike a business like a restaurant where you have one revenue source, you may have beverages and your food and everything, but we are going to have different revenue source that are going to be impacted differently by what is taking place in the economy. That leads to the difficulty of projecting this out for the next fiscal year. When you mentioned the comparison of this economy was really taken down by COVID-19 and in the Great Recession, it was the economy itself that was the problem. It was a false economy. And that's what this person was pointing out, when we went into the recession it was, the economy was strong and that's why he feels that it is not going to take as long to get back to pre-recession levels. That's the point.

Mayor Lane: Because we actually shut down the economy ourselves to defeat the curve on the healthcare systems or the potential spike. So, in that we shut it down versus the economy taking its toll more indirectly you might say by virtue of a failure in one area of the economy that had a chain reaction to others and in this case, we decided to turn it off and the supposition is that we can turn it on without any difficulty of getting it back up to speed quickly?

City Treasurer Jeff Nichols: Mr. Mayor, the term is the issue too. I have been out online looking at places like Georgia and Texas and they have been ahead of us in opening up restaurants and even though restaurants are opening up, they are not seeing the number of customers they did pre-COVID-19. That gets to my point that the slide is showing that people are showing their biggest concern is their health and when you open up the businesses, when are the customers going to feel comfortable going into them with hundreds of people they don't know.

Mayor Lane: That goes counter to the idea of a quick recovery if everybody is concerned.

So, they don't go out and they save money and hunker down, even though it may not be required.

City Treasurer Jeff Nichols: And the point of the quick recovery, I don't think that we are talking the same thing. I'm not talking the V shaped recovery, but I'm not expecting it to take 10 years. The FMOC have said they are going to keep the lending rates at 0 to 25 basis points until we achieve full employment which they will need to define and when the inflation gets to their target level, which is 2%. How long that is going to take when you have laid off 30 plus million people, it is not going to be short in

those terms. It is going to take a while. I think that Fiscal Year 2020/21 is kind of a loss for the fiscal year.

Mayor Lane: The \$3 trillion is going to be substantial in the debt in the overall budget. And it doesn't necessarily go to the idea of speed of recovery. I think that I maybe put more into the idea that the recovery would be much faster than in other downturns.

Management Assistant Megan Lynn: Mayor, I have a hand raised by Councilwoman Klapp to make you aware.

Mayor Lane: Thank you. Thank you, Mr. Nichols, I appreciate it. Councilwoman Klapp?

[Time: 00:38:30]

Councilwoman Klapp: Along the lines of what the Mayor was exploring about what to expect about the trends and the data to come to conclusions about this budget, since we have May information that shows a 26% drop and that's for half a month of activity and April was fully shut down. So, we won't get but one payment for the month of April before our next meeting, which is May 19th. So, we will get that May 15th payment that will give us an indication of what April looked like. But from your perspective, what do you think April percentage drop might be as opposed to April of last year, based on I know only one month, but now we are looking at a full month of close and what do you think is going to happen in the month of April as far as the change in the amount of monies that we are going to get in for all of these tax revenues?

City Treasurer Jeff Nichols: Mr. Mayor, Councilwoman Klapp, it would not surprise me if we saw that double when we start getting the data from April when we see the reduction in the neighborhood of 50% overall. Some areas again, food stores, certain merchants might be doing better, but it wouldn't surprise me to see a 50% reduction from April 2019 to April 2020.

Councilwoman Klapp: So, that could be as much as \$6 million? Since March was \$3 million.

City Treasurer Jeff Nichols: That is correct.

Councilwoman Klapp: Okay. I did have one other comment that, that projection of revenues in the future, how much consideration are you going to give to the demographics of Scottsdale and the shopping and buying habits in Scottsdale versus surrounding cities? We obviously are the City that has the most tourism and restaurants and retail than many of the surrounding cities and so, my expectation would be that we are going to be more heavily impacted than some of the surrounding cities going forward and then, your chart showing people that are concerned about health issues and we are top in the county with people over 65, are we taking that into account with the possibility of people leaving their homes? More than now, but not as much as they used to in the past.

City Treasurer Jeff Nichols: Everything that I have read is tourism is one of the last industries to really recover from this. Recently, we have noticed that the planes and a lot of the airlines are doing social-distancing on their planes because they have the capacity to do that. And they are requiring people to wear masks and it is going to have a negative impact on people just seeing people wearing masks. But it is something that we might want to get used to here in the United States. In other

countries, it is totally normal.

To your question of people over 65 being a large population of the City of Scottsdale and as the slide indicated, it was across socioeconomic classes that people said their health was the number one concern and being over 65 and especially, if you have any issues that make you more susceptible to the negative impacts of COVID-19, you would be more careful. There certainly will be some groups within the population that are not as concerned and those might start up quicker than others. As far as tourism and restaurants, I think that it is going to be a struggle, especially, since we are going into our summer months.

Councilwoman Klapp: Thank you so much for your analysis.

Mayor Lane: Thank you, Councilwoman Klapp.

Management Assistant Megan Lynn: This is Megan, I have a hand raised by Councilwoman Littlefield.

Mayor Lane: Very good, thank you. Vice Mayor Littlefield, please.

[Time: 00:04:49]

Vice Mayor Littlefield: Yes, thank you, Mayor. I had many of the same concerns regarding where we're going in this. Part of what I was concerned about is because we are so heavily a tourism city that we're going to be affected more than others. It's not been easy, and I would like first of all, to thank the charter officers and the staff for all of the dedication and hard work that you've been putting into this. It is always fun to try and balance multiple unknowns and uncontrollable factors against other unknowns and uncontrollable factors and coming up with a working answer.

Like you, I fear there is going to be a lot happening going forward that we are not going to like. I think that I'm on the same page as most of my colleagues here and I would like to suggest that we put together some sort of graph or a spreadsheet or chart showing what last year's numbers were in the largest areas of income producers for the City and you can put together the smaller ones. We don't have to have it detailed out for the 1%. But we have actual numbers for last year, we know what we got. And then, estimate looking at the trend line for the year and possibly, for next year and if we can do an analysis on where we go and how to bring this back and where the problems are coming and estimate months of where do we have to go? And how much do we have to cut in order to keep a balanced budget and where those budget cuts need to be? We have so much of our percentage of our overall Operating Budget is in salaries. It is going to be really tough to keep our Operating Budget without cutting salaries. I would like to have a graph with the numbers from last year from you, Jeff, and the City Manager so we can look forward and get some idea ahead of time before we are all of a sudden looking at a 50% drop and we don't know where we are going to get the money from. It is always better to have things prepared with numbers that we don't need if things get better faster than we think than have things that we have not prepared for.

So, I would like some chart of revenues and a fall with 20%, 40%, and even a 50% and where we have to go to if that were to happen. And then, overall if that happens, these are the things that would need to be cut. That's all that I have to say and thank you so much for all your hard work.

[Time: 00:47:31]

Mayor Lane: Thank you, Councilwoman. Mr. Nichols, I wanted to cover a couple of points that you summarized through your PowerPoint slides. And you mentioned something and obviously, data-driven forecast of revenues is paramount in all of our minds and we talked about this in our last meeting, it is essential that we have an idea of what kind of funds are available. Notwithstanding any carryover funds from FY ending June 30th 2020.

And you mentioned that you are looking for Scottsdale-specific data and absolutely and the reason that is so important and I couldn't agree with you more on this is because we are unique in some respects that actually make us more vulnerable in the position of sales tax receipts because we are heavily dependent on it number one and also because our entire economy is heavily dependent on tourism and that's a portion of the excise tax and a portion of that goes into the General Fund and there are changes out there just given some of the industries numbers on that.

Now, we got into a little bit of a quandary on the statement that I made and that I received from economic development and that was 35% of our sales tax or our economy, it is more on the level of our economy was based upon tourism and for years, we've lived with the idea that 21, 22, or 23% or something on that order was the amount of receipts. I've always taken that to be direct receipts that were tagged to tourism.

Now, I don't know how that number was adapted or calculated, but I do believe that tourism has a far more profound effect on our economy than simply than what they may attribute to tourism or sales tax dollars through tourist facilities, resorts, hotels and such.

So, I'm not sure exactly how that goes, but when we talk about Scottsdale-specific and just as the credit agencies looked at this and are concerned about our emphasis on tourism and sales tax as far as our borrowing needs or our ability to pay if it got really, really serious, the tourism or bed tax dollars and fund of debt the fallback is the General Fund sales tax receipts. Yeah, it is General Fund because it is going to hit the sales tax in other areas.

I don't know how much emphasis has been put on trying to weigh with regard to how our situation with how tourism is affected on our economy. Just about everything that happens in town is affected -- actually, I won't even say other than, but everything is affected by our attraction of the tourism community. With the sale of cars and the STRs with the short-term rentals and all of the things. I guess it is going to be important that we have Scottsdale-specific data, but it is also going to be important that rely upon financial information and projections, not only on the speed of recovery, but on the specific industries that affect us the most.

I think that it was brought up earlier, people getting on a plane to come out here. Our dependency on this is huge. They may all get over it rapidly, they may not. To say that it is going to be over in the next year and they are going to be somewhat recovered, I think that is very ambitious. I'm not saying that anyone has put that out there but thinking like that is just not realistic. I really think there is a need here to make sure that before we think about anything on the expenditure side that we have or what we're going to have to reduce or otherwise, of course, we are required to have a balanced budget. We are not going to play any games with that, we are just going to have a balanced budget on the numbers that we can count on to the best of our ability.

The state government has projected a 25% reduction for the state or a projected deficit on the basis of their most recently adopted budget. I think that's going to be an interesting thing to track because I think that we maybe in a more serious position than the general, overall state's position on this. And with regard to what all of the 50 states and where they are in terms of trying to re-open, we are not in great shape compared to others as it concerns our growth and tourism and other things they don't have to contend with.

To say, I think there is still a feeling that we have to have that data-driven information and specifically Scottsdale data for sure, but we need to figure it all as best that has we possibly can as we go through the year. I would hope that we would improve in the year, but since last year was a banner year and even in the middle of the summer, we are going to have a tough time when the dining rooms are reduced to 2/3rds and a lot of the other amenities are going to be affected in a major basis and it is going to take a great amount to recover and so much so they are wondering if they can even recover. Now there are some things they can pivot and innovations they can change, but on the face of it, it is going to be a slower start than what we might expect that it is all going to go back to the way it was and I think that we all know that's not going to happen.

I'm looking for the same information that Councilwoman Littlefield is looking for. But I want an absolute renewed effort to combine. Are we using any outside consultants to do any of this forecasting for us?

City Treasurer Jeff Nichols: Mr. Mayor, to get back to that point. We are using information from outside consultants. We have not hired a consultant. But to get to both yours and Councilwoman Littlefield's point and everyone needs to remember that since COVID-19 things look really bad but from July 1 of last year to mid-March of this year, we were doing great.

We were beating our revenue projections and budgeted revenues by a significant amount and the fact that we are losing April and it looks like we are going to lose half of the month of May and we are going to open up and see what June looks like, we could still finish this fiscal year in a very sound financial position. My concern is how deep does that go and how long does it drag on to the next fiscal year.

[Time: 00:59:41]

Mayor Lane: Absolutely. For us to make comparisons of a banner year and moving into the summer now, we are still going to be in a world of hurt.

Last summer was one of the best years that tourism and frankly, the City had experienced ever. There is no doubt that it is going to have a positive effect and say, we may have gotten through the fiscal year of June 30 2020 being okay, even though we had a completely, it wasn't 0, but certainly, a terrible fourth quarter.

That may all settle out all right, but that's not really what we are looking at. We are looking at this quarter and how is it going to translate into the next fiscal year and the quarter after that quarter. Recovery rate and what would hold us back for a normal type of ability to do business. And if we have things that would restrict what restaurants would do and gyms and we haven't figured out those things and how are people going to get comfortable? People may just not go out. Maybe they are used to cooking at home and everything is going to hunky-dory and they are not going to take the chance.

The point is that we are going to have a budget for revenues, and we are going to have to match up whatever revenues there is to fit into that budget. That's what has to happen, as far as I'm concerned. If we do anything other than that, we are going to be disappointing everybody in our community. This is as serious of a situation that any of us have ever experienced and to handle the emergency on this order and for the government to invested more money even from a 1940s dollar to a 2020 dollar, more money in approaching this emergency, as they did with World War II is incredible. It speaks an awful lot. We are still winging it a little bit.

Anyhow, my point is that I really would like to have -- I'd like to make the motion that we continue on with this analysis and that before we do anything with regard to considering what we're doing with expenses, we know what we are working with to the best of our ability because to do otherwise, we may be making the wrong choices, we may be trying to tag the wrong things going forward. There is any number of things.

Remember, last year, the year we're in was a banner year and we lived like it was a banner year. And the year before that was a good year as well. They have been successful years for the last few years, almost the last 10 years, but the last few years are record margins and we have done some stuff that we have to look at because we may not be in the same world for a while. And that it. There is way that we can go about it that is going to cause a whole world of harm or be calculated and be prepared. I don't know if that is a motion. I'm not saying that we are not going to listen to the rest of this presentation, but I'm going to take it with a grain of salt because I don't think that know what we are working with yet.

Management Assistant Megan Lynn: I have two hands raised, one by Councilwoman Whitehead and one by Vice Mayor Littlefield, and a third just now by Councilwoman Klapp.

Mayor Lane: Very good. I will start with Councilwoman Whitehead.

[Time: 01:01:30]

Councilwoman Whitehead: I want to say that I agree with what everyone has said and especially, you Mayor. We don't take banner years and that's what we look at. But I also agree with Treasurer Nichols and we want to look at Scottsdale-specific data but the question is how deep do we go.

So, my request of Treasurer Nichols and I know all of us have asked for more specifics before we review the budget again and we have debt service that is paid by the bed tax and we have the Museum of the West, stadium, and WestWorld, are those the three debt services that we have that are generally paid for by the bed tax?

City Treasurer Jeff Nichols: I believe those are the significant ones. I'm not certain without looking they are all of them. But you hit the ones that are significant out of the Tourism Fund.

Councilwoman Whitehead: Thank you. And do you know offhand otherwise, just provide it to all of us, do you know offhand what the debt is? What the burden is every year?

City Treasurer Jeff Nichols: Yes, for the next fiscal year it is approximately \$5.3 million and I want to add that I believe that we currently in our unreserved fund balance have approximately \$7 million, so I do believe that we have the capacity in paying that debt even with the drop in tourism.

Councilwoman Whitehead: That was my next question. So, it seems that we have enough for a year and are there any other debts paid outside of the General Fund and are there any other debts that we are paying from other fund sources, I would like those included in any estimates if there is a chance they would have to be picked up by the General Fund. But I'm very pleased with your answer that we have at least one year of reserves for these particular items. So, thank you.

Mayor Lane: Thank you, Councilwoman Whitehead. Councilwoman Littlefield, right?

[Time: 01:04:18]

Vice Mayor Littlefield: Yes, thank you, Mayor, Kathleen Littlefield. Part of what I wanted to ask about Councilwoman Whitehead just did. And I have one other item that I would like to ask Jeff to do if he could, by the next meeting, can you put together how much we have saved on the expense side by doing the closures, layoffs, and the shutdowns that the City has already started and what we can extrapolate how much that is going to save us and the difference for the general outlay for the City for the end of the year and beyond. I'd appreciate that. I just want to get a catch up on all of the dollars that we are putting out and how we are trying to save it. How much is that making a difference? Thank you.

Mayor Lane: Thank you. Councilwoman Klapp.

Councilwoman Klapp: I want to concur with the comments that have been made about the revenue side and that's the side that I'm most concerned about because the budget has to flow from the revenues and what you have asked Jeff Nichols to do and try to come up with as good of a revenue projection as possible that we can have on May 19th, that would be helpful to us. I know that we are getting ready to discuss the sources and the uses and the reductions that we are going to have to discuss and the reductions in the budget so far are making we very uncomfortable because it is not very large.

It is about a 7% reduction from the last budget that we saw based on our conversation and we are going to have to do whatever we can to get a best revenue projection for the next meeting because that is going to determine how much we are going to have to cut. In essence we have to have a balanced budget as mentioned and it all derives from what is our revenue next year. So, I want to make sure that it is clear that I agree with all of that. Thank you.

[Time: 01:06:58]

Mayor Lane: Thank you. Jeff, I guess in order to be a little bit clearer on things that I think would be useful and something that we have had not in recent years, but a number of years and that is to get a year over year comparison to last year's budget and now, of course, I'm talking fiscal year end at 2020 versus fiscal year end at 2021 and going right with whatever revenues are forecasted and right on down to divisions and line items with how that budget would be balanced.

It seems to be the clearest way to try and determine where maybe the funds need to be looked at and reduced or otherwise and gives us a clearer picture of what the bottom line is for a balanced budget if we look at that. If revenues were reduced 25%, you are talking about somewhere from 60 or 80 million dollars, I don't have that in front of me.

But if it were remotely close to what the state estimated and I'm not saying that we put all of our thought in that process, but if it is 25% across the year, we may end up with scores of millions of dollars that are going to be somehow found or we are going to have to reduce some things. Better to be facing this thing now than a few months from now if we're completely upside-down in our thinking and reduce it by our revenue forecast by something less than maybe what is real. So, I would like to see that kind of portrayal and even if it is a working document, here's the revenues that are in place and this is -- these are the things that are going to have to change.

So, that's you know, for you to work out. But I think that is something that would be instrumental in just keeping this clear. We see a lot of numbers on all sides and a lot of this and that and move this here and there and so and so forth, but we're really not coming down to a number that maybe realistic in view of where revenues actually exist.

Management Assistant Megan Lynn: I apologize for interrupting; I have a hand raised by Councilmember Phillips.

Mayor Lane: That's okay. Councilman Phillips, please.

[Time: 01:10:19]

Councilman Phillips: I'd just like to say to Jeff and our City Manager and I think that Jeff has always presented a conservative budget and I have criticized him for being overly conservative and I think that he's done a great job of keeping our budget mean and lean in the past. Thank God we had tourism because that is what is saving Scottsdale right now and we have a lot of reserves and I don't want to be overly confident, but I don't want to present to the public that oh, what are we going to do because that doesn't present confidence to the public and I think that staff is doing a great job and I think that Scottsdale is going to weather the storm.

We are probably going to have to a lot of cuts, but we will do it in a responsible manner. I think that we are going to get through this. And we are going to do it as a Council and a city and let's keep a stiff upper lip here.

Mayor Lane: Thank you. This is something that we have don't have to go through too often. It is not an easy thing. We are certainly not trying to be chicken little on this thing, but at the same time, there are some tough decisions that are going to have to be made. I do think that everybody is doing a good job. That's not the point as far as that is concerned. If that's the injury that is taking place right now, I'm sorry that's the position. But it is a serious situation and we are going to get past it. I don't mean to preach on the thing, but it is not unlike the situation that we in 2009 and we don't have the same players and I'm very glad for that and we also have a difference in governance that I think helps, as well.

I appreciate your sentiments, because I think it is important to keep things in a positive frame, but also a

realistic one. Presentation of these things in the frame of where we are, that's going to give the public confidence because they know what is going on. They are very concerned about what our real function is here and an important function. Someone has their mic open and you have a little bit of feedback. In any case, I have said more than my piece, I'm sure.

Are there any other questions, Megan?

Management Assistant Megan Lynn: No, Mr. Mayor, not at this time.

Mayor Lane: Okay, I would say Mr. Nichols, I hope that you got a bit of information from this. We have not made a motion on this, but there is some pretty clear indications of what we are looking for.

City Treasurer Jeff Nichols: I have, Mr. Mayor, thank you very much.

Mayor Lane: And thank you very much for your hard work. I know that you have been working very hard on this and this is not an easy thing to put together. So, thank you very much for that.

City Treasurer Jeff Nichols: You're welcome.

Mayor Lane: With that, Mr. Thompson.

[Time: 01:14:36]

City Manager Jim Thompson: Good evening, Mayor and City Council. Jeff and I have met with Judy and staff countless times since we brought you the original budget right at the beginning of COVID-19 hitting our community and state. We have since made reductions. We've made reductions in the analysis on tax revenues. The key, I think, we truly believe it should be data-driven. As we gather more data, we are reacting to that. I think that you will see the reaction in the past 40 days since we first brought it to you. We have eliminated another 18 million out of the budget. And obviously, based on the revenue numbers and tomorrow if we start to see a different trend, we know that we can adjust downward, we just can't adjust upward and once we set a cap, that's is our ceiling. We can always adjust downward.

And just showing the reductions that we have already made to date in the short period of time of what we have already brought forward, which was pre-COVID-19, we are going to show that. We were running \$13.4 million ahead before COVID-19, we tend to have better years than what we anticipated from a budget perspective. Obviously, we are in uncharted territory and the response from everyone who worked on this budget presentation has been immense and we will get through it.

That being said, let's walk through it a little bit. I know that the revenue portion is the driving factor and that's where I start as well. If revenues come in more than what is anticipated, we cannot increase the expenditure side throughout the year. If the revenues come in less, we can definitely, which we will reduce the expenditure side to match that throughout the year. We have not experienced that because of our conservative budgeting in the past.

As far as sources, we are talking mostly about General Fund and the majority of our operations is General Fund and the General Fund revenues for 19/20 adopted for 315 million and we were already

running at 13.4 and we have reduced that down to 11. We have some of our larger months of receipts and that's the revised amount. Next year 326 which would be the reduced amount from this year, the General Fund transfers in and again, these are numbers that come from the other funds and transferred to the General Fund based on various factors bringing us to a total proposed for next year for 338 million.

Now, sources and reductions. What we have done from the budget that you originally received 40 days ago or so, we have made some additional reductions. The General Fund revenue reductions, we have reduced another 24 million and reduced the transfers in from other sides. There was a question asked this evening, are we going to look at our other funds, in particular, utility funds to support the General Fund in any shape or form? And that answer is no. We are not doing what many other cities have done in the past with the shortfalls and looking at the utility funds to rate structures and rate settings to transfer it to the General Fund.

[Time: 01:20:06]

We are not changing any of that or requesting, but we are actually reducing the amount of transfers from the those other funds and I will get to that why that occurs. So, we went from 338 million that was proposed over a month ago to reducing it 24 million to 313 million. To tie to that, we have made reductions and budgeted our expenditures less than what our revenues are projected at. We have built-in a cushion associated with any changes to the economy and we have done that the past couple of years.

Before the March 15th submittal of the budget on the original side, we had reduced from the numbers that the departments submitted as their requests they believe they need to operate and provide the level of service that we provide to our residents over \$8 million and then, once COVID-19 started to happen, we went in and made an additional reduction of 18 million. On the use side and what we actually proposed, we were about from the new revenue figure, about \$9.2 million short on the revenues from what we originally proposed over 30 days ago. I will show you how we have lowered that now.

We have gone in from the negative to the positive and how we have moved our budget to the negative to the positive both in , the 19/20 forecast, as well as 20/21 forecast. So, in 19/20 we reduced or delayed division spending, we reduced almost, starting on March 1st, when this first started hitting us and we saw this coming, at that time frame, we froze some spending areas, reduced spending, almost \$3.8 million, and then we held 249 part-time positions and we also relieved our self of some of those employees.

So when we started shutting down facilities, we had many part-time employees, may it be at the libraries, may it be it at the pools, may it be at the senior centers, we have stopped paying those individuals and sent them home, and the impact of that is 249 people were impacted by that movement. But that will bring us to savings through July 1st, obviously we may reinstate some of those, and we anticipated that in the 20/21, which I will talk about later. But for now, that will be are our savings when we removed some of those employees from the work environment and from the payroll and the savings will be \$458,000 at the end of the year.

Then we held 216 full-time positions and part-time positions vacant in the city. Normally on an annual basis we anticipate in our budget process that we are going to have about 150 vacant positions in any given time in the city. So we actually program in ahead of schedule in our conservative ways that we will have 150 vacant positions in the city at any time so we preload that in our savings associated with it. So our net gain in this case of 66 positions from what we have already on a conservative nature preloaded having 150 vacancies. So we have froze those positions and any others that come open from various means, we will analyze those individually in the budget.

From 20/21, we reduced the spending in the division totals from where we originally started, and that was after the 8 million and 1.2 million that was previously cut, we cut another 4 million 90 thousand. We froze the third year of the three-year market catch up, which is 3.9 million, and then we froze any performance adjustments for employees, and that's 3.588 million. And so those all been removed from the budget. And I know there was comments and questions out there are we going to try at some point in the future if we do go back and make it a market adjustment and we look to performance pay, are we going to do a catch-up provision. We have not budgeted for any catch-up provision. And so, just wanted to note that, that is not in the expenditure side of the budget proposal.

You see the 917 and you would think that number should be substantially more with only a couple of months, no, what we anticipate bringing back some of those, so as we start to open the libraries and the senior centers and the recreational facilities we are going to bring some of individuals back. We froze vacation trade for employees that didn't have time to use in the year and could use it for trade, we eliminated that and we are not delaying it, we are actually eliminating it in Fiscal Year 2020/21.

We are going in and delaying 36 vehicle replacements that are associated with the General Fund and it impacts the other funds and ties back to the portion of the transfer into the General Fund that is reduced because of the spending when it is being reduced in the other funds. For the General Fund we are delaying 36 vehicle replacements and this is truly a delay and in the future, we are going to have to replace those vehicles and we have taken into account the savings and the maintenance that would be inherent to those. The savings is closer to the four plus million range.

We have drawn down our Healthcare Trust Fund and reduced the CIP transfers out due to the lower tax and things associated with that to 301 and the most recent changes of 9 million to the positive and that's from sources of revenue. So, the way that we propose the budget at this point in time with a reduction of 18,283,000 since the last proposal that you have, it allows us to grow the General Fund, so we have a cushion built-in with \$9 million to start with. Our sources are 9 million more than in the proposed budget than our uses. So, we start off with the \$9 million plus.

Let's talk about that and what does that look like. What happen at the end of the year, you can call it our savings account that has various reserves and designations and purposes associated with it in the General Fund. The adopted budget for 19/20 showed at the end of the year, you are unreserved fund balance and it would amount to 77,745,000. Our forecast now is that we will still end up at 86,217,000 and that's because of our reductions in spending and conservative revenues and even with a very bad April for this year, we expect that account to grow.

In 2020/2021 our fund balance is 96,642,00 walking into that fiscal year. And what we propose

with this fiscal year and with the changes that we have made and our reserves and the Operating contingency of \$10 million, we still anticipate that fund to grow to \$105 million and that's if we receive 100% of our revenue and spend 100% of our expenditures as proposed. If we are short and receive 10% less, we would match our expenditures to try and achieve the balanced budget because our revenues are projected to be higher than our expenses of what we are proposing at this point. Of course, subject to change as we get more data.

[Time: 01:30:28]

This is the Annual Fund change in your General Fund and in 16/17, we didn't have a change. In 17/18 it grew and in 18/19 it grew. Our total increase was 98.2 million during the times of economic growth. Again, usually during the really good years, the Mayor and others have touched on the fact that the past few years have been really good years. You tend to not allow your expenditures to jump up to meet that revenue increase and we didn't. We grew from 14 million to 18 million in our savings account. In good years, we try and tie our expenses and don't just go out and spend. We tried to control that as well and we did. We did a really good job of it.

Now, in the bad year that we expect to be coming, we are in this budget proposal, we are not asking to spend any of that at this point in time. Again, if revenues don't come in, we would make additional cuts and come back to Council for recommendations. We have had some really good years, but in those years, we didn't go out and spend the additional funds like many others would have, we started to place it in a savings account. However, we are not asking to spend it based on our budget at this point in time.

To talk about a couple of things, in the midst of the economic crisis and we are managing the City's response to COVID-19. I think that it is really important to understand the amount of time and energy and dedication of staff to manage multiple things as we are trying to walk through the changes and the reductions and employee morale maintains to be high and while they are trying to do their job and tasks and dealing the COVID-19 issues and ordering the N95 masks as well as their day-to-day tasks. Running the emergency ops center and that has been activated for a couple of months now. We are managing the federal applications for grants. And the response in handling COVID-19 on different fronts and one relative to our employees that may contract or be subject to or having challenges with children or otherwise who have been displaced out of school.

Number four, we have increased communications to Council, community, and employees. We have done an excellent job of getting out in front of this. We are one of the first cities to start a recovery branch and we have been trying to provide the community an update with what is going on in response to COVID-19 and what we are doing. We are running the City remotely with over 500 employees teleworking and tele commuting at this time.

We started the Scottsdale small business center and continue to answer phone calls to small businesses asking how to navigate federal programs that might be available to them. We continue to provide meals to seniors and when we shut down the senior centers, we allocated some of our staffing to deliver meals to the seniors and we wanted to make sure that our seniors are receiving the meals. I think that we have done an awesome job. Some of our lifeguards, we have assigned to go out and remove brush for wildfire season and as we are entering the wildfire season, we wanted to make sure that we are able to, because of the moisture that we had earlier in the year, make sure that we were addressing that. Noted

that we deployed 59 employees and it is up to 60 today in maintenance and high priority areas. We continue to move others around and outside of that 60, asked to perform additional duties associated with it.

Here's the grants that we have noted and that we have actually applied for at this time. We have been awarded some of those. We have not gotten the checks in, but we have been told that we will be receiving these monies. The Federal Aviation Administration and 157,000. The Federal Transit Administration, 2.248 million that will go to the Transportation Fund, it is not going to the General Fund. And the Community Development Block Grant Program has a total of 3.3 million that we know will be coming in. We don't know if it will come in this fiscal year or next fiscal year as far as tracking our expenses. There is discussion that cities over 500,000 received funds from the CARES program with federal government. The City of Scottsdale does not get a direct distribution from the form government. It goes to the state and then, distribution to the City. We have not been able to obtain any of those funds yet. We have had in discussions and that's one of the uncertainties at this time. And would our amount be 45 million based on Mesa or do we have to account for the reduction and leaving us 75% of that 45 million. We don't believe that's the case because we have to have direct costs relative to that and we don't have direct costs associated with that amount of money. We will again continue to work down that path. This is what we know today. There is a lot of uncertainty regarding the other funds that maybe available to us and how we go about that.

There is discussion with the tentative budget and one place we may make changes is in the grants fund area and not the General Fund area, which we may increase the contingency in the grants fund area for any additional monies that we might receive or that are available now, but not released to us now. That's one that we have great uncertainty with, but to make sure that we set the cap available, we want to make sure that we show a contingency there. If we get the funds and Council so chooses, we will spend those funds in the community.

Management Assistant Megan Lynn: We have a hand raised by Councilwoman Whitehead.

Mayor Lane: Thank you. Councilwoman Whitehead?

Councilwoman Whitehead: No, I'll wait until the end. Sorry. Keep going.

[Time: 01:39:49]

City Manager Jim Thompson: Additional discussion points and some things that we can talk about now or at the tentative or we don't have to talk about at all, but some things at a staff perspective, we have been talking about as well. Obviously, as we get better revenue, we will make the expenditures to match those. We kept the revenues and the expenditures consistent and that's why you have a growth in the fund balance, and we have discussed using some of that fund balance to pay out to police and fire. It has grown to 58 million and we have it available to us to buy down some of those pension liabilities or the liability that is being billed to us in Fiscal Year 2020/21. Deferring or closing some of the CIP projects. Obviously, we did a small amount in change of the transfer, but we did not do that in changes to program and service levels and delaying some rates and fee increases.

We anticipate having an ending balance for 19/20 at 96 million and 20/21 with the reductions made to this point another favorable 9 million and that grows to 105,260,000. We front loaded the first 10 years

of potential payback infrastructure that project is putting in place in North Scottsdale and we would turn around and front load the first 10 years associated with the pay out of that agreement even though we won't pay it until year 5 and 10, they have met all of the agreements and we placed that out there. And we look forward to the five-years and we are a few years out for the five-year payment and we have earmarked that as well showing that we are in good financial stance with that.

We have not proposed any of these in the budget at this time based on what our revenue projections are. Some of the discussion earlier and if the revenues start to decline or further than anticipated or otherwise change these are things we could move forward with quickly, deferring the 5th year CIP saves us the \$6.4 million. I won't walk through all of those, but you see the different projects that we would delay and granted it is just a deferral and/or we can close those projects out.

So, what we want to talk about just for a second is options for re-opening facilities and programs during recovery period. As we start to hear many requests and they continue to come in about re-opening, the Mayor, at the onset of the discussion shared some of the facilities that we will be opening this week and next week, obviously, we will continue to monitor and slowly open up some other facilities the following weeks. What we are going to do when we start re-opening some of our facilities we are going to do so slowly. We have looked at multiple buildings and measures on how to do that. There are multiple measures as we look to each of those facilities to protect everyone intact. We are going to open the pools on Memorial Day to Labor Day. Because of the distancing, it is much more challenging. We are only going to be offering summer camp at mountain view and horizon this year.

So, some of the openings are going to be a lot different than what we have done in the past, so there will be inherent savings in those too.

Pre-COVID-19, the libraries were open seven days a week and our total weekly library operating hours pre-COVID-19 was 256. In one of the few libraries in the area in the Scottsdale system, we started to offer our library systems by drive up and very successful. The numbers of cars that you see here, the average is 2,000 cars weekly doing the curbside pick-up at Civic Center and we ask a library and set-up virtual engagements and we just shared some of the factors associated with what we have been able to achieve. Some of our other areas and some of the programming at the senior centers and the rec centers, some of the staff took it upon themselves to offer YouTube classes to the community and with home-schooling and giving them activities and we appreciate them doing that and offering our services in a different way. And the re-opening of the Civic Center and we are talking about staff here. Any of the deviations could affect staff one way or another. We look to re-open the civic center with 27 staff. The reduced hours associated with those. The re-opening of the library at least, in Phase 1, bringing us to just over 100. So, more than half less than what we used to have as we slowly open up. Part of that is distancing within the libraries and part of it has to do with our abilities to clean and the touch points and the things on a regular post-COVID-19.

And the only item that we are asking for this evening is to continue the rate fee discussions until the tentative budget at the next meeting here on May 19th. The sewer rates, we are suggesting that we implement those on January 1st, and you see the savings of 710,000. And the other like parks and zoning and delaying some of those in particular, planning until January and stormwater and others will have another savings of 789,000 associated with it. So, a total saving of 3,840,000.

So, we will get into more detail associated with that at our next meeting when we talk about rates.

Tonight, the only action item that on your agenda later I believe is to continue that public hearing until the 19th.

So, we are continuing to monitor revenues, we will make additional adjustments to the data with the revenues. Obviously, we are not in a position to increase our expenditures once the expenditure cap is set. As a result, the shared is subject to additional revisions on May 19th.

Jeff eluded that we are going to get another month's numbers on May 11th. That's going to help immensely of what we are looking at for our state shared revenue. We don't know if it is going to mirror of our own revenues that we have at this point. At the final budget adoption on June 16th, we can't revise them upwards, only downwards. So, we have to be cognizant of that on the expenditure side.

We will set-up a study session with the Mayor and Council regarding the revenues.

I think that it is important to come back to the Mayor and the Council on a regular basis and have a study session with Council to walk through the changes that we have seen in revenues and the changes that we are making on the expenditure side to meet whatever the change is on the revenue side.

Just upcoming dates and schedules. May 19 is to adopt the tentative budget. And then, the rates and fees and I kind of eluded to those but we will be looking at whatever your desires are on the rates and fees on the 19th. And June 30th is the final adoption of our tax levies. That's our schedule for the upcoming budget. If Council has any questions, I would be happy to answer those.

Mayor Lane: Thank you, Mr. Thompson for that presentation. It was nicely done and a lot of information. I'm going to ask each of the councilmember if they have any questions and after that, it will be a raised hand situation. I will start with Vice Mayor Littlefield.

Vice Mayor Littlefield: Thank you, Mayor. I have no questions at this time.

Mayor Lane: Okay. Councilwoman Klapp?

[Time: 01:53:14]

Councilwoman Klapp: A couple questions. You mentioned or showed us slides that relates to various capital projects that you might want to defer another year. When are you going to want to have that conversation? Tonight? Or do you want to wait until the 19th to decide that once you know more about the revenues?

City Manager Jim Thompson: Not this evening. I think that as we get our numbers in, we can do it any time throughout the year. It doesn't have to be done now. If we did it now, obviously, it would establish our cap. If we walked into the tentative and approved it without it in there, that would immediately reduce our more and grow our income balance even more if the revenues came in the way they did. It is just one of the options to make reductions if need be necessary. This is one area that we can start to look to and have those discussions. We are not asking that we take any action on that this evening. We are not asking about the tentative. At this point in time, it could be discussed at any of our quarterly updates to Mayor and Council. If our revenues become substantially less, we could look to this as one area.

Councilwoman Klapp: Okay, thank you. The sources slide that you showed here and it has been worked

out in conjunction with the City Treasurer and discussions with the City Treasurer and the Budget Department, etc., can you explain a little bit more about the thinking involved in a \$25 million reduction and why that amount? Why not more? Based on anything that you know today. Considering the change in sources that you are showing here, I'm assuming you believe that we're looking at more like a V-shape recovery. Can you give me more of your thoughts about how you think that revenue is going to come in next year?

City Manager Jim Thompson: That is based on the treasurer.

Councilwoman Klapp: Those are basically his numbers?

City Manager Jim Thompson: Yes. We went in and looked at the different reports and the studies that are being done right now. If it is 33 million less in revenues than what we projected originally on the budget and that scenario if we have to make reductions and we have can cushion built in and built into the proposal. If this number drops by 20 million, we will go back and make 20 million reductions in expenditure during the year and/or look at some of the options that we have put on the table. So, we are prepared to do that. Thank you.

Councilwoman Klapp: I have another question about the fund balance slide. Can you explain to me what's in the operating contingency, since it has dramatically increased over the last year?

City Manager Jim Thompson: Yeah, if we could. I don't know if we have available the other slide on fund balances, the history of fund balances. Do we have that slide available?

Management Assistant Kelli Kuester: Jim, this is Kelli, can I just confirm that was a supplemental slide that was provided?

City Manager Jim Thompson: That is correct. That was one of the supplementals.

Management Assistant Kelli Kuester: Do you have that available? I just need a moment to pull it up, please.

City Manager Jim Thompson: Please, thank you.

Management Assistant Megan Lynn: While Kelly works on that, I have a hand raised by the City Treasurer. I'm not sure if he still has a question or a statement?

Mayor Lane: Mr. Nichols, do you want weigh in?

[Time: 01:58:48]

City Treasurer Jeff Nichols: Yes, to the City Manager's point. This re-forecast was done with the limited information we had after the first budget presentation on April 7th. We adjusted the budget after the two payments and that's why you don't see the significant reduction in the time frame going forward.

Councilwoman Klapp: That's a good explanation. Thank you.

City Treasurer Jeff Nichols: You're welcome.

Mayor Lane: Thank you.

Councilwoman Klapp: We are waiting for some information from a slide. I'd asked for information on why the operating contingency is \$10 million when it used to be around three. If you want to move on, Mayor, we can go back to that when they find the information. That's fine with me.

Mayor Lane: Okay, Megan, do you know how close we are or is there another hand raised? I'm sorry -- I'm going on to the next individual. We'll go on the Councilmember Korte at this time.

[Time: 02:00:58]

Councilmember Korte: While this is a tentative budget discussion tonight. I'm concerned that we bring forward a General Fund revenue of almost 327 million because I believe that if we look at what the state is forecasting, and I know that we want to make these decisions based on real data, I don't want anyone out there believing that we are going to see \$326 million in revenue given the impact of the virus on peoples willingness to be out and spend money and of course, our tourism and it is 30 to 35% of our economic base and we know that tourism today is about -- well, decreased about 90%.

I guess what I'm trying to say is that I understand the need to look at these numbers based on data but I know things will be different when the isolation and social distancing tails off and if tourism comes back, people are going to be living differently. And so, I would hope that as we gain more of the data on May 11th and the 15th of the month and bring forward for us May 20th or 22nd, whatever that date is, that we look at and have in our pocket all of the ideas to meet a balanced budget and while I think it is going to be significant and I think that the staff and the charter officers have done a wonderful job of reducing expenses the past 45 days, I think that we are going to have to go pretty deep and I hope that we are all prepared to do that. So, thank you.

Mayor Lane: Thank you. Councilwoman Milhaven.

Councilwoman Milhaven: I think that the City Treasurer and City Manager have shown great restraint as they have tried to best guess, and it is clear that we have lots and lots of options. I want to thank Councilmember Phillips for his comments. You are absolutely right, we have been through this before and have amazing resources and a great team that can make the right choices and decisions and we are going to come through this in great stead just as we always have. Thank you, Councilmember Phillips for reminding us that we are going to come through this hard time. Thank you very much for your hard work.

Mayor Lane: Thank you. Councilmember Phillips.

[Time: 02:05:25]

Councilmember Phillips: Thank you, Mayor and thank you, Councilmember Milhaven that was very nice of you. I didn't hear anything about opening up the soccer fields, do you know when that is going to

happen?

City Manager Jim Thompson: We don't know at this time. We have pickleball, tennis courts, dog parks and skate parks opening this Friday. We have baseball and volleyball and basketball and other facilities we are going to continue to monitor the situation to see when we are going to re-open those. We have not set a time specific at this point in time, however.

Councilmember Phillips: All right, a lot of parents have wanted to know when they can get their kids back out on the field. I didn't see the property tax increase of .2%, was that anywhere in this discussion?

City Manager Jim Thompson: We have not discussed it at this point. I think it is part of the discussion that will occur on May 19th associated with property tax and all of the rates and the fees and the revenue on that side of the equation and the additional changes that will come forward at that point in time. If Council wishes to remove that, we will be prepared to have that discussion on the 19th, but we did not prepare that for this evening.

Councilmember Phillips: Okay, I'm looking to not taking that .2% this year and not raising the stormwater fee. Other than that, I will reiterate what Councilmember Milhaven said. You guys have done a great job. I can't imagine the logistics that you have gone through in closing things down and helping out with the small business loans and stuff like that, it has been incredible. Honestly, I can't be more proud of our city right now. I think that you all have done a fantastic job.

Mayor Lane: Thank you. Next is Councilwoman Whitehead.

[Time: 02:08:16]

Councilwoman Whitehead: Thank you. Some of the questions that I had Councilwoman Klapp had. And as the treasurer pointed out, we, the City are a service organization and sometimes it is not visible to the public all the staff does in order provide those services. And while the economy has taken a nosedive, our City's service requirements have gone up and we don't have a decrease in needs, and we have to be there for those people.

We have to absolutely make sure that essential services are funded over non-essential services and that's why I wanted to express to anyone who is listening what the City is doing. Both the City Treasurer and the manager made some great examples and Councilmember Phillips mentioned it too. For one thing, we are providing food and more food, and we are providing services to make sure that people don't lose their homes and businesses and that is coming from a variety of different staff members.

I want to read a couple emails or two emails from two different residents. One received immediate food assistance from the City when she contacted us. This week, she got mortgage relief and she is working with econ development. She wrote: Thank you for connecting me. They are going to send my mortgage company \$1,000 which is so helpful and amazing. I have to hold back my tears daily when Elizabeth gave me the good news. So, that's one person.

Another service that we provide is just being there. Our staff is a human being at the other end of the phone line. And so, I want to read one email regarding that. I spoke to Deanna, the resident wrote, I

spoke to Deanna and she made my day just by reaching out. Sometimes just knowing someone is hearing you is such a relief and I'm so grateful.

These employees and our staff and the services they provide deserve recognition and thanks and continued funding. And so, when I'm looking at the budget, we are going to have to make decisions and have to go deep, but our priorities really matter. As always innovation and improvement is always helped by shortages, so I'm very confident that we are going to come out of this stronger and leaner and be able to provide better services without reducing services in the meantime. I absolutely agree with Councilmember Phillips in that I'm so appreciative with the conservative approach that our City Treasurer and manager has taken, which puts us in a very strong position. Those are my comments. Thank you.

[Time: 02:12:22]

Mayor Lane: Thank you. I just have a couple of questions and Mr. Thompson; I'd ask you about the total ending fund balance of \$105.7 million-- [NO AUDIO].

City Manager Jim Thompson: Yes, Mr. Mayor, do you want me to walk through that amounts to and where it comes from?

Senior Management Associate Megan Lynn: Mayor Lane, this is Megan, it looks like you may have muted yourself, if you click the unmute button?

Mayor Lane: I'm sorry, thank you. I'm sorry about that I had accidentally muted myself here. It is a terrible thing to do to yourself. But in any case, there was \$105.7 million on the fund balance and I was interested as to the nature of things that are included in that. I know that we have reserves for a variety of different things and I know that there's a 10 percent reserve that we are trying to look to get the breakdown within that -- or the \$10 million I should say. But what -- does this include all reserves whether they be debt reserves or contingencies, emergency contingencies? General Fund contingencies? All manner of reserves we might have set aside that are included in this other than just what we used to call the Unallocated Fund balance? I'm sorry.

City Manager Jim Thompson: That is correct, Mr. Mayor and members of Council. That includes all of those items. I can walk through those really quick and then I will talk about the 10 million.

Mayor Lane: If you have the 10 million up as far as that is concerned.

City Manager Jim Thompson: Yeah, yeah, I don't have that, but I will talk about that on the next side.

Mayor Lane: Well let me just say that most of those are either contractually or statutorily required, is that right?

City Manager Jim Thompson: I would say half Mayor and I will talk about that as I walk through what comprises that \$105 if you would desire. But you are correct, that I mean either contractually, administratively and/or through action of council those are required reserves. Very small portion of that is unreserved, undesignated which should be the key host to that. So on one hand --

Mayor Lane: Do we have some statutorily required reserves as well? Do we not?

City Manager Jim Thompson: I am looking here, I am looking at the – well, contractually required, Mayor. Statutorily required, you could not have a 10% reserve. The 10% reserve is set by in your own fiscal policy. But what that does is that achieves insurance of your bond rating. If you go below it a 10% reserve in your bond rating and then your bond rating agencies would frown upon that. 10% is kind of that threshold that you want to achieve. That doesn't mean that the bond rating agencies wouldn't react to other things that we do, but that is one of the key components they would look at. So –

Mayor Lane: But it's not by statute. Okay.

City Manager Jim Thompson: That is correct Mayor. That would be our own fiscal policies associated with reserves that are set aside.

Let me talk about that real quick. Of the \$105.7 million there's - in the fund balance, in particular in the General Fund. This would be kind of like your cash in hand in the end and what's it obligated for. We have certain obligations. It's not like a retained earnings in the private sector side, although water, sewer, sanitation are enterprise funds, fiduciary fund types, would operate very similar to that of a private business. General Fund is a little bit different in fund accounting.

But let me - it is kind of like cash on hand and cash basis. But, what it breaks out to be is that \$105 million, which you have seen has grown. In fact, it has grown immensely in the past few years and purposefully, because those were good years. You grow it in the good years and sometimes you just spend it down in the bad. You look at that pre-recession during recession, the City in the good years. That is what cities do. They don't go out and just spend it, they actually grow their fund balance and cash on hand. And the City did that previously. We have actually grew it much more substantial these past few years than even we did pre-recession. You see in the recession, you spend down the fund balance. What we are proposing in this budget where we know that we have a difficult economy we have made cuts so far that actually still grows our fund balance. Some of which are reserved.

Let me talk about this. So what we are proposing in the 2020/21 is a \$500,000 undesignated, unreserved fund balance. We have had that amount for the last few years. Then we have a set-up for a contingency this year, we actually had an operating contingency of \$2.8 million next year, what we have remaining left on this year.

Next year, we set a \$10 million. Keep in mind that we propose to be spending, that includes spending of our 9 million less of what revenues were. We are looking to obligate 10 million. To answer Councilmember Klapp's question directly. Inclusive of that, right now we only have 2 million for the grants that we think that we might receive next year of the 3.3 million that we have already identified, we know are coming in. But we think for the General Fund alone, that amount would be near the 2 million. That's part of the contingency overall for the General Fund would be some of those grants to the CAREs and other programs that become available to us. We think we might want to increase that either in the grant fund or here in the General Fund prior to bringing you the tentative budget to you. If we start to unwind a little bit of the money that was received for cities of less than 500,000 by the State, by the County and distributed by the City, we get a better feel for what our number might look

like prior to tentative. That number may increase.

In addition in there, we've kept some things in there. The one thing that was cut more recently since the last is that we had some amounts in the General Fund that we had increased the fire department for. Some of that is associated with the training. We know that two-thirds of our fire department can retire a few years out from now. We wanted to make sure that we train our fire staff and give them more repetition at the higher ranks for those below so we have attrition issue that we start to preload and train our firefighters. That's part of that contingency.

If we start to see that we have a positive move in the economy unlike what we have seen in March and April, but we start to see positive indicators in May, we would bring any of this portion of that contingency back to Council for Council's approval to allows us to go spend it for some of those intended purposes. So we set up a contingency in case we see a movement the other direction. The economy improves, we don't set a contingency, we wouldn't have funds available to meet some of those demands.

The other ones includes the furloughed staff that I mentioned earlier where we actually have the savings of thousands this year. That's part of that contingency. We want to make sure that if we open everything back fully and the economy recovers - don't know if it will or won't - but right now, we wanted to be prepared if it did. We wouldn't say we are we are not opening the pools back to the regular hours that we used to, or the libraries, or many of our other facilities. We would still keep the reduced schedule if we don't see improvement in the economy. But if the economy did recover by chance, we wanted to have the ability to go ahead and bring the staff back to start to open up our facilities. And so that is included in there.

And then there is a fleet maintenance and repairs associated with the reduction of the fleet. We have additional funds of 825,000 in there. And then, we have a delay, not a retroactive merit and market adjustments, which are also in that contingency, which we would not bring back for discussion with Council until the first of January. If in fact the market is improved, we would not. We do know as of today, other cities are reporting they are giving adjustments to their staff. We are not. We have made that clear. So, I wish to share that. That is where we are at.

[Time: 02:21:16]

Let me go back to the slide and touch on that, Mayor, I think that I just addressed the \$10 million question. The next portion, which is a reserve and the designation and we have designated out a portion of 14.3 million of that 105.7 million and it is the first 10-year payout associated with that project and the pay back of the infrastructure of the 30 million they are doing up front. And it totals the 14.3, we have set that aside.

Mayor Lane: Jim, if I might for a quick second, is that an item in the budget as a line I tell -- item expenditure or we front loaded? And that's another thing, we front loaded and we have to make expenditures to pay them, didn't they front load it?

City Manager Jim Thompson: Yeah, they are doing all of the improvements with their money and any infrastructure that is greater than the amount, we are going to reimburse them.

Mayor Lane: You said front-loaded it.

City Manager Jim Thompson: We would have to pay them back to the improvements and exceed the amount that we are going to pay them. Rather than budget it in the fifth year, which in this case is just over 7,150,000 in year five, we decided to front load or kind of preload the five-year and 10-year payment and we have already designated those funds in the account and in year five, we don't have to cut those expenditures and or see the revenue. So, we have already front loaded that. When the revenues are coming from that project, it is going to far exceed that and add to the operational abilities of the General Fund and not hamper it in the fifth and the 10th years to come up with the money.

Mayor Lane: My only wondering was whether or not it was a liability versus a set aside of reserve funds. What you are saying in the normal course of the business in the setting, when we make payments like that, we don't set it up as a liability or pay for it as it comes up?

City Manager Jim Thompson: That's right. If they meet all of the stipulations for year five, and meet all of the requirements, they are eligible up to the 7.15 million that we have, so we have already set aside that. If they meet the stipulations years 1 through 10, they are eligible for reimbursement of their expenses up to 7.15 million. We could not front load for the 5 year and do it year by year where it would be just over a million a year to set aside, but we chose to frontload it all upfront.

Mayor Lane: We have some latitude with how much we keep in here year to year and we can't drop unless we want to take our chances but we're being conservative and I appreciate that setting it aside at this point in time. And it is all dependent on how serious this situation becomes and I certainly do agree and we have said it before, one of the things that struck me right out of the box this evening is the first slide where we're indicating the 2019/2020 adopted budget and the 2019/2020 forecasted budget and when we compare budges to budgets and determine what kind of adjustments with we are going to be making generally speaking, we look at last year's budget and what we are going to forecast for next year's budget and while I know that we have had a banner year and the millions of dollars that have been put into the end fund balance and when we look at the difference from the adopted budget of Fiscal Year end 2020 to the forecasted Fiscal Year end 2021 you are looking at a 3% reduction in the total amount of revenue versus the total amount of revenue that is forecasted for this fiscal year right now.

Actually, I can take it either way, even after the General Fund revenue reductions that are make due to the COVID-19 or this downturn. It is a minor adjustment of 3.6 to 4%, depending on which number you look at it and it does not seem to be reflective of even the basic information that we are receiving now when we are talking about that budget number. I should say that the General Fund revenue reductions need to be re-reviewed when we have more information, but just coming out of the box, it seems unrealistic and there is enough information for everybody to see other than our ability to set aside huge amounts of money for administrative purposes, as well as debt service purposes that it just seems like it is unrealistic and I'm not all about the visual, but if we go back to the public and say we are going to cut the budget by 3.6% or anything remotely close to that is going to be taken as something is happening that -- one way or the other, we are either taxing them too much and we have oodles of money like we have been accused for years, that the money is somewhere, or there is going to be a problem with the fact that we are not looking at it realistically and they don't believe we are.

That's the crux that we have to deal with, particularly with the businesses that have been crushed and hopefully, they will recover with some of the assistance of the feds. Our priority is that we be here for the critical functions and the several services that are on a public basis. No doubt about it. But we do have to be careful with how we address this thing. I'm concerned with making sure that we have a realistic view of it and due to the fact that most of this fund balance is really called for.

This is not necessarily going to take care of us if we are on a miscalculation of developing revenues through the course of the next fiscal year and maybe beyond.

We already know that the shared tax revenues, not just this year, but the year after, the impact is going to be and that's going to be another year.

So, anyway, that's sort of a confused way I'm sorry to say of explaining the fact that I'm concerned about the visual and the way that we go about this and make sure that we are in transparent in it and doing it as conservatively as best and as possible. Nobody is voting for doom and gloom, but I don't want to find ourselves after we have made some moves that we have suffered through years of trying to make up or potentially the overall situations suffers even more so because we have calculated wrong.

Senior Management Associate Megan Lynn: This is Megan, I have a hand raised by Councilwoman Littlefield, as well as Councilwoman Klapp.

Mayor Lane: Thank you very much. Councilwoman Littlefield, please go ahead.

[Time: 02:33:17]

Vice Mayor Littlefield: Thank you, Mayor. This is Councilwoman Littlefield. I am rather dismayed actually with what I'm hearing tonight because I don't think that we are taking a look at the reality of what we are going to have be facing. I agree with Councilmember Virginia Korte, I think that we need to take some real hard steps here and look at what we are doing. We are running – just straight numbers here - a \$326 million budget plus or minus. Twenty six percent, that budget is, almost most of the budget goes to personnel. 74% of that budget goes to personnel services. We have 26% left, which is \$84 million. So, if we are not going to be cutting people and we are not going to be cutting or contractual services, which is the other 22%, where are we going to get a \$84 million reduction on an already 26% loss that is coming through just in the first numbers that we are receiving. And we only know one part of that. What happens if we have a 30% reduction? 40% reduction? We are going to have nothing to cut. I think that we are not looking at what we really have to take a look at.

And I tell you, place a hold on the business fees and the license increases, that's fine, let's help our businesses. Let them start, let them get going again and make it easier for them. This should also be done for residential rates. Let's make it easy for people to stay in their homes. If we don't, we just create more problems down the road.

We need to re-evaluate the City staffing levels. If it is 74% of our city budget and go down 30 or 40%, we are going to have a problem if we don't take a look at that. This is just basic common sense. We have to have some money to keep the lights on and to keep the automobiles that we keep running to do the servicing for our people. Department by department, we should be re-evaluating approved positions and take the view of either consolidating those positions or eliminating some of them if we

need to, as the situation progresses. I don't know how bad it is going to get, neither does anybody else, but we need to have stepping stones all along the way of exactly what we are going to be doing and how we are going to be doing it if we meet these milestones of potential income drops. If we don't do that, we are going to be looking absolutely foolish. Mayor Lane, you are absolutely right.

We need to evaluate the timing of the CIP projects and we may not have the funds for any CIP projects this year or next. Let's slow it down. We are in a recession. We cannot keep a budget that is even year after year when we are in the middle of a recession and our base of income is tourism and most of our budget goes to personnel. It doesn't make common sense. To me, I can't say I'm happy with what I've seen here. I think that we really need to take a closer look of where we are going and how we are going to get there. I wish that the state would give us the financials faster than they do. I think this is one of the downsides of having them run our taxes for us and we used to get this done in a week or two and now, it is six weeks. It is really hurting us right now.

I don't think that we are going to have any funds for any extras, and we need to take a good, hard look at everything in the budget and say, do we need this to survive? And to say that we are going to end up with more money in the budget that we have now, I really just don't see it. It doesn't make any sense to me. I agree with the Mayor and Councilwoman Korte and I think that we need to go back to the drawing board with this.

Mayor Lane: Thank you. Councilwoman Klapp.

[Time: 02:38:29]

Councilwoman Klapp: I was eluding to my discomfort earlier and I'm going to be a little bit more lengthy on my comments now. Based on Councilwoman Littlefield's, Mayor Lane's, and others, I have to say this is not a realistic budget and we have to be totally realistic of what the revenues are going to come in. And I'd say at best, we are looking at a \$50 million drop. Right now, you have 25 million. At best, it is 50 and it is probably more than that. How are we going to pay for that? Are we going to deplete our unreserved fund balance? The CIP projects were mentioned and I'm fine with that. We are going to have to take some hard decisions now.

If we don't start preparing now, later on, we are going to have to react to the worse that can happen. Mayor Lane talked about what happened in the Council in 2009 and we should have made some serious cuts earlier than we realized later. Some service mistakes happened then, and I don't want it to happen again. I want to be ahead of this and make sure that we have good numbers on the revenue side and obviously, we have to adjust on the other side, on the expense side.

And the reason that I brought up the \$10 million operating contingency is what I thought was what the City Manager just alluded to a moment ago, in that operating contingency are part of the salary increases. So, when we are told that the salary increases were totally eliminated from expenditures, to me, this is an expenditure category. We are going to spend some money out of this operating contingency on planned items that I realize have to come to the Council for approval. But in reality, some of these should be removed. They are not going to happen this year so why have line items in the operating contingency for merit increases, and market rate increases, and vacation trades and things that we were told were removed from the budget. They were removed from operating expenses to a

different account. And that's not eliminating, that's just moving the money.

As far as I'm concerned, what I want to see on the 19th is as transparent and realistic figures that we can get on sources and uses and based on what we know today, we are going to have to make serious cuts somewhere in this budget and it is necessary that we recognize this sooner than later. I'm agreeing with several people who have addressed this budget and looking forward to seeing something that is acceptable when we have the next meeting.

[Time: 02:42:21]

Mayor Lane: Thank you, Councilwoman Klapp. I don't think if we have any other particular questions, but if there is a way to frame up a motion for direction or guidance as to what we expect from the treasurer and the City Manager and coming back with some numbers as we have frankly probably expressed on a number of different occasions closer to the data and Scottsdale-specific data with a more realistic approach to it. As we look at these numbers and for some of the citizens that are looking at these numbers, we see us piling up \$100 million in some cases just to have to spend in fact, if things get better. It is an interesting situation.

I can understand from a management standpoint that you'd love to have the rainy-day funds and as large as it can be. Certainly, that's important in our critical function in the city and there is no doubt about it. But as we have eluded a couple of times, we have been through this before and frankly, the state went through this. They had an inflated budget and ended up taking a nosedive in 2008 or 2009 or whenever their budget happens to run. They burned through whatever rainy-day fund almost immediately and we pretty much did close to the same thing other than the things that could not be removed.

In any case, I'm in total agreement with Councilwoman Klapp, Virginia Korte, and Kathleen Littlefield with respect to the concerns simply about what happens here? We don't have any comparison in the community. We have people who are without jobs for months now, or weeks anyway, and frankly, completely without and we're worried about whether or not we are going to be able to continue for one year maybe more, I don't know. Most people in the community who wouldn't dream of thinking about now, much less in the recent past.

It is a visual, but it is actually a reality check for all of us just because we do not want to end up with a much more desperate situation and I know that the City Manager doesn't want to either. So, there has to be a place where we find ourselves in a realistic approach and at the same time sensitive to the fact that some believe it is going to be short-term and a quick recovery and I hope to God it is, but I don't believe it is going to be in the next year.

I started with a motion and I'd like to see something come back from the standpoint of greater data in the forecasting revenues and a matching up. I would still like a budget to budget and the forecasted budget for Fiscal Year 2019/2020 confuses things and let's compare from that year in order to address the current revenue that we expect to see from all sources and what we need to complete that. That's a motion. If someone wants to accept that as guidance and second that, I would ask for that.

Councilmember Klapp: I will second that, Mayor. This is Suzanne Klapp.

Mayor Lane: All right, that motion has been made and seconded as been heard. I would ask if there is any further comment, I can take that, but nevertheless, I'd like to have the vote on that.

Management Assistant Megan Lynn: I did have a hand raised by the City Treasurer and just raised by Councilmember Phillips.

Mayor Lane: Okay, City Treasurer, Mr. Nichols.

City Treasurer Jeff Nichols: I'm sorry, I was getting an AMBER Alert and I didn't want the audience to hear that. I know the direction that you are giving me, and I meant to take my hand down.

[Time: 02:47:44]

Mayor Lane: Councilmember Phillips?

Councilmember Phillips: I just want you to clarify that motion.

Mayor Lane: To come become with the realistic projections of what the revenue and the expenditures should be and for the Fiscal Year 2019/2020 and compare it to Fiscal Year 2020/21 and so, we can look at line-by-line item and what is actually a reduction and what is being moved tentatively or otherwise and just as clear as possible what we are comparing and what we are doing with the money that we have in the total of \$105 million and nevertheless that we have available to try and make sure that we have money if something changes.

Councilman Phillips: Mr. Nichols understood. So, thank you very much.

Mayor Lane: Thank you. With that, I would ask the City Clerk --

Management Assistant Megan Lynn: I also have a hand raised right now by Councilwoman Whitehead.

Mayor Lane: All right.

[Time: 02:49:23]

Councilwoman Whitehead: I'm not going to change the motion. I just want to add kind that one thing that would be nice to have from staff is to understand in a department type analysis what function is being cut. So, when we are cutting funding whether it be for programs or for staffing, what function were being done.

Clearly, if we are opening the libraries in the west, we are going to have more libraries, but kind of giving that sense of kind of what we're not funding would be helpful from a functional standpoint thank you.

Mayor Lane: Thank you very much. If there are no further comments on it, I would ask the City Clerk, and we have a first and a second and this is just for guidance and direction as stated. If we could get that roll call vote?

City Clerk Carolyn Jagger: Mayor Lane?

Mayor Lane: Yes.

City Clerk Carolyn Jagger: Vice Mayor Littlefield?

Vice Mayor Littlefield: Yes.

City Clerk Carolyn Jagger: Councilmember Klapp?

Councilwoman Klapp: Yes.

City Clerk Carolyn Jagger: Councilmember Korte?

Councilmember Korte: Yes.

City Clerk Carolyn Jagger: Councilmember Milhaven?

Councilwoman Milhaven: Yes.

City Clerk Carolyn Jagger: Councilmember Phillips?

Councilman Phillips: Yes.

City Clerk Carolyn Jagger: And Councilmember Whitehead?

Councilwoman Whitehead: Yes.

City Clerk Carolyn Jagger: The motion passes unanimously.

Mayor Lane: Thank you. I do believe that concludes that item. Thank you for all of your work in the presentation and all of the work that has been put into it to this time and hopefully, on the 19th, we can move forward with it in a positive way.

REGULAR AGENDA ITEM 12 – PUBLIC HEARING – WATER & WASTEWATER RATE INCREASES

[Time: 02:51:13]

Mayor Lane: And the next Item 12, and this has been requested to be continued. The City Council adopted a notice of intention to increase water and wastewater rates on March 3, 2020 and set a public hearing date for May 5, 2020. City Hall is currently closed to the public access due to the COVID-19 pandemic and the City Council Meeting are being conducted remotely through electronic means. Therefore, staff is requesting the public hearing be continued until May 19, 2020.

Councilmember Phillips: So moved.

Vice Mayor Littlefield: Seconded.

Mayor Lane: Can we have a roll call vote on that?

City Clerk Carolyn Jagger: Mayor Lane?

Mayor Lane: Yes.

City Clerk Carolyn Jagger: Vice Mayor Littlefield?

Vice Mayor Littlefield: Yes.

City Clerk Carolyn Jagger: Councilmember Klapp?

Councilwoman Klapp: Yes.

City Clerk Carolyn Jagger: Councilmember Korte?

Councilmember Korte: Yes.

City Clerk Carolyn Jagger: Councilmember Milhaven?

Councilwoman Milhaven: Yes.

City Clerk Carolyn Jagger: Councilmember Phillips?

Councilman Phillips: Yes.

City Clerk Carolyn Jagger: And Councilmember Whitehead?

Councilwoman Whitehead: Yes.

City Clerk Carolyn Jagger: The motion passes unanimously.

REGULAR AGENDA ITEM 13 – PUBLIC HEARING CDBG 5 YEAR CONSOLIDATED PLAN FOR FY 2020-2024

[Time: 02:52:50)

Mayor Lane: Thank you. Our next Item is Item 13, the public hearing on the Community Development Block Grant Program, it is a five-year consolidated plan for fiscal years 2020 to 224, Fiscal Year 2020/21 annual action plan and the analysis of impediments to fair housing choice.

The purpose is to solicit public testimony regarding the Community Development Block Grant Program five-year consolidated plan for the fiscal years of 2020-2024 and Fiscal Year 2020/21 annual action plan for the use of 1,205,605 in the CDBG funds and adopt Resolution No. 11671 to approve the CDBG five-year consolidated plan for fiscal years 2020 to 2024 and the Fiscal Year 2020/21 and the annual

action plan and the analysis of impediments to the fair house choice and that is a Regular Agenda Item and we don't have any Public Comments to be taken at this time.

So, that fulfills the requirement that we did solicit public testimony for CDBG funds electronically and we have no comments and no testimony at this time. So, I will now ask each of the councilmembers one by one if they have any questions. As it is, I will start with Vice Mayor Littlefield.

Vice Mayor Littlefield: I have no questions.

Mayor Lane: Councilwoman Klapp?
Councilwoman Klapp: No questions.

Mayor Lane: Councilmember Korte.

Councilmember Korte: No questions.

Mayor Lane: Councilmember Milhaven?

Councilmember Milhaven: No questions.

Mayor Lane: Councilmember Guy Phillips?

Guy Phillips: No questions.

Mayor Lane: Councilmember Whitehead?

Councilmember Whitehead: No questions.

Mayor Lane: And I have no questions. Hearing none, I will accept a motion and a second.

Councilmember Korte: This is Virginia Korte and I move to adopt Resolution No. 11671.

Vice Mayor Littlefield: This is Vice Mayor Littlefield, I second that motion.

Mayor Lane: Okay. Thank you very much. Motion made by Virginia Korte and seconded by Kathleen Littlefield.

Management Assistant Kelli Kuester: Excuse me, this is Kelli, I believe we have Justin Boyd on the line to present the staff presentation for this item.

Mayor Lane: Oh, I'm very sorry to have missed that. Yeah, it was just skipped over because it wasn't there. I'm religious to the script here. We have a motion and a second, but we will hear the presentation in case it sparks any questions.

[Time: 02:56:47]

Megan Brace: Thank you to the City for having me present here in front of you all. I just wanted to go

over the process of why we are doing a consolidated plan and the process and what is required. The consolidated plan is something that the City has to do, and it outlines how we are going to spend those funds and the strategies of how we are going to meet the needs over the course of five-years. After that, we have an annual action plan to address the projects of how the City meets the goals each year.

And we have the consolidation evaluation report, and this is our report card and looking back if the City is meeting the five year goals goal and the assessment of fair housing and the impediments to fair housing choice. To review the five-year consolidated plan and we meet the needs in the community, and it funnels into the annual action plan of the individual projects that will be undertaken each year.

Throughout the course of the development of this plan, there's been a variety of public engagement opportunities. The Human Services Commission has had meetings in January and March, and we have this public hearing today, on May 5th. We have had the fair housing review survey.

I have a couple slides here and I'm going to go over to socioeconomic changes that we have seen in the City and the CDBG plan. Scottsdale's population is increasing significantly. This is mirroring the growth that we are seeing county wide as one of the fastest growing counties in the whole country. While we are seeing this change in the population, we're not seeing a big change in the racial and ethnic make-up of the City. There has been a slight increase in the Hispanic population, but overall, the racial and ethnic make-up of the City has not changed significantly. We are however seeing that the population is aging. Those aged 65 and older grew in the population between 2010 through 2017 while all other age groups declined or stay the same. The proportions of persons with disabilities. About 10.6% of the entire population has some disability. It is a significant portion of our older population that does have the at least, one form of disability.

I just wanted to show you the types of disabilities that we are seeing in the community. The most common disability are ambulatory disabilities accounting for 5.7% and followed by the hearing disabilities and if we added up all the numbers it could be more than on the last slide, simply because any one person could have more than one disability.

The other portion of this analysis is looking at homelessness. County wide homelessness has increased significantly from 5,700 in 2016 to 7,400 people accounted in 2020. The homeless population in Scottsdale has increased and the point in time counts where the actual homeless population might be higher than the number that we are seeing and that is echoed by a lot of service provider in the community, as well.

Next, we are looking at household income and in 2010 to 2017, we have seen an increase in households that are earning \$100,000 or more. In 2017, 41% of households were earning \$100,000 or more. The other income perspectives are staying the same or declining. In 2000, the poverty rate was 5.8 percent, in 2017 we've increased to 8.9 percent we are seeing this increase at the top of the scale and the bottom.

The third piece of the puzzle in the housing market is the production. We have seen a reduction and a lot of the new units are apartment units. The number of single family units and the value of the single family permits and we have seen a big dip in the recession and some increase in single family buildings

and a growth a little bit up and down of the value of the single family units in Scottsdale.

This map and the next map, I'm just using to illustrate the areas in the City where home prices are the highest. Here we are looking at median home values in the northern parts of the City we are seeing the highest home values in the City. The similar pattern with the median contract rents and the yellow areas are the lowest rents that we are seeing in the City.

When we talk about Housing costs, we want to talk about people affording their housing. Household is considered to be considered to be cost burden if you spend 30% of your income on housing and severely cost burden if you spend 50% of your income on housing. In 2017, 29.9% of renters were cost burden or severely cost burden in Scottsdale. For renters, its 39.2 percent. Between 2010 and 2017, we saw a slight decline in the rates of cost burdens, but with the recent economic downturn, I'm sure that we are going to be seeing different trends as we move into the future. As I mentioned at the beginning, we had the housing and community development survey and it was released in early 2020 and over 225 responses. This graph here is showing you of those responses how people would allocate funds. 28% would allocate towards housing. 21 % toward infrastructure, 14% for public facilities, 22% for human services, and 15% for economic development.

I'm showing you the top responses here for a couple of the needs in the survey. For housing, the top-rated needs were construction of affordable new for sale housing or construction of rentable housing. For community and public facilities, the top-rated needs were shade structures, homeless shelters and facilities for abused and neglected children. For public service homeless, mental health, and substance abuse. From this, the public input, and data, we developed a series of housing priority needs and addressing the priority needs in repair and rehabilitation and the next need is priority infrastructure and public and community facilities. The public service objective that addresses both public services and homelessness in the community. The last two goals are the home funding objective for housing development and reconstruction and supporting program and administration and addressing that administration priority need.

I'm going to quickly go through the proposed funding. For public services there are seven different agencies with their programs that have been proposed for funding. For housing and facilities, there are a number of different activities there is green housing rehabilitation, emergency repair program, and the splash pad and playground and home funding is for single family and renting housing rehabilitation.

We also are including the Scottsdale care Fiscal Year 2020/21 proposed funding. There are eight different agencies and programs that are proposed with this funding source. The General Fund and the endowment for the Fiscal Year 2020/21 and there are programs under the General Fund and the \$200,000 per year from the endowment. This analysis of impediments was done in conjunction with the home consortium and it prioritizes the housing impediments and control over what actions can repair those housing impediments. If you have any questions, I'm happy to answer them.

Mayor Lane: Thank you for that presentation, Megan. Very informative and nicely done. We did jump a little bit ahead on this, but I will go ahead and ask at this point in time if there is any of the folks that I asked previously on the Council who have any questions of Megan or the program? If you are interested, just hit the flag or...

Management Assistant Megan Lynn: I'm not seeing any hands raised at this time.

Mayor Lane: Very good. Thank you, Megan. And thank you Megan and Justin both for that information and thank you for the work that you do in that.

With that, we have a motion that was previously made by Councilwoman Korte and seconded by Councilwoman Littlefield.

[Time: 03:10:01]

At this time, I would ask the City Clerk to give us a roll call vote on this Item.

City Clerk Carolyn Jagger: Mayor Lane?

Mayor Lane: Yes.

City Clerk Carolyn Jagger: Vice Mayor Littlefield?

Vice Mayor Littlefield: Yes.

City Clerk Carolyn Jagger: Councilmember Klapp?

Councilwoman Klapp: Yes.

City Clerk Carolyn Jagger: Councilmember Korte?

Councilmember Korte: Yes.

City Clerk Carolyn Jagger: Councilmember Milhaven?

Councilwoman Milhaven: Yes.

City Clerk Carolyn Jagger: Councilmember Phillips?

Councilman Phillips: Yes.

City Clerk Carolyn Jagger: And Councilmember Whitehead?

Councilwoman Whitehead: Yes.

City Clerk Carolyn Jagger: The motion passes unanimously.

REGULAR AGENDA ITEM 14 – DETROIT CONEY GRILL AWNINGS & CANOPY APPEAL - TO CITY COUNCIL

[Time: 03:10:55]

Mayor Lane: Thank you. Our last and Regular Agenda Item for this evening is Item 14, the Detroit Coney Grill awnings and canopy. I will turn it over to Katie, who is presenting this item.

Katie Posler: I'm here to present Case No. 2-DR 1994 #3. The subject building is located in the Gateview shopping center and it was constructed in 1994. The request before you this evening is by the applicant for Council to reconsider the development board's approval for the stipulation of the existing orange awnings and canopy to be replaced with a more compatible color.

The orange awnings were installed without design approval and based on the shopping center guidelines and context in September. At that meeting, it was continued with a 6-1 vote. The owner agreed to replace other teal awnings that were ripped but the orange color would not be used anywhere else besides at the grill. The orange canopy was installed. The case was then approved with stipulations at the meeting in January with a 4-2 vote. The approval included a stipulation that the orange awnings and canopy to be replaced with teal or another appropriate color.

An appeal was originally scheduled for the March 17th meeting and continued at the applicant's request and the orange awnings and canopy have received the building and safety department's approval. Some history on the center, it was designed in 1994. The teal accents can be found throughout the center on columns and metal roof and canopy. Here are the locations of the existing awnings throughout the center. Here's some photos of the existing installed orange awnings and canopy. This is from the west elevation and the applicant is requesting to keep these awnings and canopy in place. Here are the orange awnings located over the windows and front door. And here is the large canopy over the southern patio that was installed.

So, the subject of the appeal today is a stipulation that was included in the approval. It reads that the applicant shall replace the orange awnings and canopy with a teal or other appropriate color that is consistent with the shopping center. The decision before you today is to require the applicant to replace the orange awnings and canopy with the teal color and, or for the orange awnings and canopy to stay in place, or to reverse the DRB decision. That concludes my presentation.

Mayor Lane: Thank you. We have the applicant and you have ten minutes for the presentation. If you can introduce yourself to us and start your presentation, but I don't have your name.

[Time: 03:16:27]

Applicant Attorney Jeffrey Kerksmar: Thank you. My name is Jeffrey Kerksmar I'm with the law firm of Kerksmar and Feltus and we are located here in Scottsdale and I live in Scottsdale. We are joined in this appeal under section 1.907 by the owner of the shopping center of Gateway Park. Obviously, we are following on the heels of some weighty matters and in the midst of this shutdown, this is a very weighty issue and they have seen 90% of their revenue slashed because of unavoidable circumstances to them, this is a very urgent issue. I think that you have been provided most of the background. But the grill is a restaurant at the Gateway Park shopping center at Hayden road and Indian bend.

This is an appeal from a January 16, 2020, decision and it approved the design and the structure, shape, color, and placement of the existing awnings and canopy, but it required the applicant to replace the orange awnings and canopy with a more consistent color for the shopping center. Let's talk a little bit

about who the company is. The grill is owned by two local businessmen. They have three locations.

They first opened in 2013 and this location in 2019 is the company's biggest and they selected this location because of the excellence visibility from that intersection. They have 36 employees and 25 of those employees are living and working at the Scottsdale location. Before the shutdown, they were serving 300 tables a day. The company's culture emphasizes close community involvement, especially with first responders because of their quick serve philosophy and their hours of service and this is a quick serve restaurant.

What are the grounds for the appeal? The DRB imposed on the park and the restaurant a standard that is not imposed on other applicants. It lacks supporting evidence and it is based solely on esthetic concern unrelated to public health safety and welfare. Allowing it to stand would result in an arbitrary and capricious policy that would be enforced by the City.

What is the standard? On page 12 of the design guideline, it says about awnings, where awnings should be used, they should provide maximum shade and it should be opaque material and not internally lit. Awnings of a single color are preferred. That's what it says about awnings. Well, they are a single color, desert blossom orange. Gateway Park has a master sign program, which was amended by the City back in 2011. In that amendment, the City agreed to allow Gateway Park to increase design flexibility in the tenant's choice of colors. The design program allowed tenants to use corporate colors and logo. The DRB never cored that amendment in its deliberations. The DRB failed to consider many exceptions in Scottsdale to enforce a one accent shopping center color if that is indeed the rules. Here's the Whataburger on 90th street and orange awnings and similar in color to the Detroit Coney Grill. Not a single other color awning in that shopping center. And here, in another shopping center, red awnings and no red in the rest of the shopping center. Same shopping center. Here's the Jimmy Johns and now, we see black awnings. The same picture of the shopping center by the big Fry's there.

Here on Indian School Road and that shopping center and McDonald's is known worldwide for its yellow color and it is permitted to use the logo color, despite the fact there is not a single bright yellow awnings in that shopping center. This has striped awnings of a different color than other place found in that shopping center. Here, black awnings. Nowhere else will you find a different color of black awnings anywhere else in that shopping center. Here's the in & out and it has adobe colored awnings and not a single other business has the same color awnings.

This decision wasn't based on things involving public health, safety, or welfare. It is purely about esthetics and the DRB has not articulated any health, safety, or welfare concern regarding awnings. We have cited the cases and they are also in the notice of appeal. Obviously, the Council is very aware of the impact of the Coronavirus shutdown. You've jumped into it in-depth, so I'm not going to recite those things and issues that you are more familiar with than we are. But the cases is that restaurants are severely affected by the shutdown. Their customers are severely economically impacted. Even as we re-open next week, unemployment is going to be here for a while, and this has serious impact on Scottsdale's restaurants.

This is not the time for the City to work against its locally own business. Detroit Coney Grill is a valuable citizen of the City of Scottsdale and known for the community outreach with the first responders and in fact, here, you have the pictures of the police enjoying Detroit Coney Grill and last week, the Scottsdale

firefighters came by and encouraged people to support Detroit Coney Grill and even the City of Scottsdale retweeted the Scottsdale firefighters support.

What is the impact of this decision? Well, the sum total of is given that the DRB has ignored issues of public health, safety, and welfare, operated from a severely impacted factual record and deviated from the program that allowed for the color flexibility in awnings it renders this arbitrary and capricious. Unfortunately, it means that the DRB has created an entirely new standard under the design guidelines that awnings colors must match a shopping center's primary or secondary color and that's going to affect every one of the chain restaurants that we saw in that slide or worse, the decision will create a two-tier design criteria, one for the big businesses and another for the little guy who cannot. We ask that you modify the January 16, 2020, decision. Thank you all very much for your time tonight and your work in this crisis. Thank you.

Mayor Lane: Thank you very much for that presentation. So, we have the case in front of us right now and now, I will ask each of the councilmember one by one if they have any questions or comments they want to share on this subject. I will start with Vice Mayor Littlefield.

[Time: 03:28:05]

Vice Mayor Littlefield: Thank you very much, Mayor. I did not chair this DRB at the time. However, DRB is -- their decisions are based on color, they are not based on other activities. Their texture, color, feel, look, touch and all of that kind of stuff.

For me, it is a very difficult thing, but from what I understand and I did watch the meeting and listen to what the DRB board members said, it would be the only business in the shopping center that didn't conform with the teal color of all of the other businesses in the shopping center. I don't know if the other examples that the gentleman gave us had approved colors or not. But Coney Grill didn't have. I'm going to uphold the decision of the DRB and ask them to put in the requested colors.

Mayor Lane: Thank you. Councilwoman Klapp.

Councilwoman Klapp: Was that a motion?

Mayor Lane: No, I think just comments.

[Time: 03:29:04]

Councilwoman Klapp: My opinion would be that the DRB does work upon that concept and the colors and that's what the DRB is about. I do believe that it is in their purview to discuss the color of the awnings and windows. I do believe this is a sad case that this is happening during this time, but in essence, the owner of the building acted without DRB approval and when the last awning was put up, they were waiting for a DRB meeting and they put it upon themselves to put it up before they had DRB approval. So, I will also uphold the DRB decision.

One other comment and in shopping centers and signage requirements and my experience having my own business in a shopping center and my understanding is that you can use your own corporate colors on the signage, which is exactly what Coney Grill has done. That signage doesn't translate to awnings.

That's a whole different animal. Awnings are awnings and signage is signage and the awnings have to be approved by the DRB. Yes, for signs, but not for awnings. That's my other reason to affirm the DRB decision.

Mayor Lane: Thank you, Councilwoman Korte.

[Time: 03:31:37]

Councilmember Korte: Thank you, Mayor. This is Virginia Korte. I have a question for staff. Can you go through again the process, so if a lessor of some property in a shopping center wants to change the color of an awning or exterior, is there a process they must go through with the City?

Katie Posler: Yes, there is. The first step if you are doing exterior changes and we consider an awning an exterior change and you submit an application and it either goes down to an administrative approval or it would go down to DRB if we didn't feel comfortable. This applicant submitted an application and we took it to DRB.

Councilmember Korte: When were the changes made to the awning in that process

Katie Posler: The awnings were originally installed in fall of 2019 and then, they requested approval and it went to DRB the first time and it was continued and the second awning and the canopy over the pate owe was installed after the DRB continuance.

Councilmember Korte: So, the owner of the Detroit Coney Grill moved forward with the orange awnings before any approval was made?

Katie Posler: Right, before design exterior approval from the DRB.

Councilmember Korte: Thank you.

Mayor Lane: Okay, thank you. Next, Councilwoman Milhaven.

Councilwoman Milhaven: I have no additional questions, Mayor.

Mayor Lane: Thank you, Councilmember Phillips?

[Time: 03:33:42]

Councilman Phillips: Yes, Mayor. I have some information that I think that the rest of the Council needs to know before they make their decision. I did add some picture to this, but probably as good as the attorney did, but can you show those? Obviously, that's the water burger on Hayden and orange roof that has faded in the past years. This is on 2nd Street and built a couple years ago where the new sizzle is and apparently DRB says it is wonderful and they allowed that. Tuft and needle and I was on the DRB Board when we did that. We discussed it and DRB approved they're corporate colors, even though nobody else had those colors around there. And this next one, on Scottsdale Road and obviously, nobody else has their colors. Cool looking building and DRB approved that one too.

What Council doesn't know, back in December I was on the DRB Board meeting when this first came and actually, the vote was 3-3. Three wanted him to change it and three didn't want him to change it. And a 3-3 vote goes in favor of the applicant and so, the applicant won. I was going to move on to the next subject when Mr. Venker spoke up and said, we can always continue this for another time. And then, another DRB member said let's continue it. After they had already voted, and the applicant already won it. Obviously, staff didn't want this for some reason, and I don't know why. It was continued to January and whatever councilmember was on at the time voted to change the color and that's why it was 4-2 instead of 3-3. At that time, when I was in December, the applicant said that he would paint the rest of his plaza to match it. I heard for this applicant, it would have cost him over 60 grand to change all of the colors on the awnings and the reason that he put the awnings up is because it with us already ordered.

What's he going to do? Start all over again. These are the things that were not in this staff report and they should have been there. The main thing to me and most of you probably know the area, it has been really tough for business. People just drive by there and you don't really see it. There has been ten different businesses in that exact area where they are now. It is a tough area and I drove by and the orange caught my eye and I thought, it is a new business there and it was some other burger place there and I don't even remember the name. I saw it and my wife, and I went there and ate. So, it is actually bringing in business to that old plaza.

The attorney made good points that the City retweeted the picture of it, here's this great place. And now, we are telling someone in the middle of the COVID-19 crisis to change the colors and it will probably put him out of business. This is not the time to be doing this. When he first went back in December and went to the City and applied for it and said, you have to tell us the colors first. Not everybody knows that. These people that build don't know they have to go through a DRB approval of their colors. In fact, it doesn't even show in the DRB standards that you have to do that. It is a little bit capricious.

I feel that we have to give our small businesses a break. He's been a great neighbor and great for the plaza and not doing anybody any harm except staff doesn't like the fact that he is getting away with an orange color, even though other corporate buildings get to do the same thing. I think that we should allow this man to continue his business in Scottsdale. This is the one they were going to use to show their investors. And let's not do this to him. Let's let him run his business and this other one is not teal; it was blue, and it has faded to steel in the has few years. I would make the motion to modify the DRB decision.

Management Assistant Megan Lynn: I have a hand raised by Randy Grant and by the attorney.

Mayor Lane: Okay, that's fine. I'm going to go ahead and second Councilmember Phillips motion. I want to speak towards it later. Randy, if you are on the line, why don't you go ahead and start.

[Time: 03:40:18]

Randy Grant: Thank you, Mayor and members of the Council. I wanted to just correct the record. In fact, the 3-3 vote by the DRB is not an affirmative vote for an approval and it would have been reflected for a denial and I think that the staff brought up the possibility of a continuance to allow the applicant to

work through an alternative.

Councilman Phillips: Excuse me, when the 3-3 vote was there, I asked the staff and I said, what do we do with the tie? And he said, the tie goes to the applicant. I think that you are misconstruing how it was going to go to change it or not to change it. He wasn't trying to continue it to help him along. If you want to argue that point, that's fine, but I was there, and I know the way that it happened.

Randy Grant: That's fine. I certainly wasn't questioning you. I would defer to legal staff for input on that.

City Attorney Sherry Scott: This is Sherry Scott and Randy Grant is correct and the DRB rules of procedure does provide in rule 210, that if an agenda item receives a tie vote of the members present, that tie vote is deemed to be denied. In the event of a tie vote, a member that voted in the negative, in the same meeting may offer a motion to continue the case to a future meeting of the Board. I can speak to what the rule states and certainly can't speak to what was stated at the meeting and but that's what the rules of the DRB provide.

Mayor Lane: Thank you, Mrs. Scott. Mr. Grant, were you finished with your comments on it?

Randy Grant: Yes, thank you.

Mayor Lane: I'm looking to return to the attorney.

[Time: 03:51:49]

Applicant Attorney Jeffrey Kerckmar: Yes, Mayor Lane. I know I'm out of time, but there was one Public Comment that was received, and I would ask that be read into the record. Thank you.

Mayor Lane: Okay. Megan, do you have access to that Public Comment, or the City Clerk have access to that?

Management Assistant Megan Lynn: This is Megan and I will defer to the City Clerk to that.

Mayor Lane: Do you have the comment on hand?

City Clerk Carolyn Jagger: I'm pulling it up right now. Traditionally, we don't read Public Comment into the record. That is something that the applicant could have done as part of his presentation, however, if you would like, I can read it into the record if that's the Council's wishes or I can note it is in favor of the project and who it was that made the comment

Mayor Lane: I know that we don't want to change the precedent. I would read it myself if I had in front of me.

City Clerk Carolyn Jagger: I will read it into the record if you would like.

Mayor Lane: Why don't you go ahead do that on my behalf.

City Clerk Carolyn Jagger: It is from Ben Kaufman. "I'm highly disappointed in the DRB's decision for the

Detroit Coney Grill awnings and canopy. The awnings are tastefully done and add an enhanced look to the older exterior. I did listen to the review board's meeting and see the applicant's point to larger corporations. McDonald's awnings and colors do not match the shopping center's colors and in the Design Review Board meeting, Scottsdale staff couldn't answer the question how that was approved for McDonalds, while I realize that staff wasn't around at that time, it is the City's responsibility to ensure fair and equitable treatment for all business owners. I hope that the Council understand that the awnings are adding value whether they are teal or orange. During this unprecedented time, do we want to add cost to a tenant that has been in the community? Thank you.”

[Time: 03:46:14]

Mayor Lane: Without setting a precedent, I think that was appropriate under the circumstances. So, we have heard from the two. I just seconded Councilmember Phillips action. I would say that it has been a long time since I have been on development review or Design Review Board because in the years it has changed a great deal of its mission and generally, it is satisfactory and acceptable because most people understand the value that is imparted by the designers and the architects that sit on that panel. In this case, it is not just a matter of sympathy.

I'm very familiar with that shopping center and some of the restaurants that have tried to promote in there and I saw the awnings before becoming aware of the difficulty they were having with the DRB and noticed it was notable and could be the secret to success and also, the idea that we are in a moment of crisis and the very people that I was talking about before are the people that we are talking about right now who are being crushed by the actions that we've decided to take on the basis of our efforts against COVID-19.

I personally, even though it's been a long time since I've been on a DRB Board, in fact it's been over 12 years, found there is certainly is not only a bias, but an emotion that sets apart even how someone who may want the design they have going up against people who have a different sense of it. It is their property and the development of it of course, and the design of it.

It has always been a difficult challenge, but it is when someone has a brand and they have something that may not be matching a shopping center and I'm not sure, in this case, it sounded to me like the shopping center owner has no problem with this if he was even willing to change awnings throughout, if that is correct, he certainly isn't opposed to this. On the basis of a couple things, I'm in favor to modify the DRB decision to allow for the orange color and let it stand. I presume that's consistent Councilmember Phillips with your motion, is that right?

Councilman Phillips: Yes, Mayor.

Mayor Lane: To modify the DRB decision and not to reverse.

Councilman Phillips: Yeah, it's the second item.

Management Assistant Megan Lynn: We have two hands raised by Councilmember Korte and Solange Whitehead.

Mayor Lane: I'm finished with my conversation and to speak towards my asked. What was the line-up again?

Management Assistant Megan Lynn: Councilmember Korte and Whitehead.

Mayor Lane: Councilmember Korte, please.

[Time: 03:49:50]

Councilmember Korte: Thank you, Mayor. I don't really believe this is about differential treatment between the big corporations versus the small business owner. My issue with this is that the applicant changed the awning before approval and then, when we went for approval, he continued to change additional awnings without approval again.

So, to suggest that he didn't know any better, I think is -- that's just hard to agree to. I believe that this is about preserving the process and the protocol of the Development Review Board. We are the only city that has a Development Review Board and we have it because it is a group of citizens that are committed to the esthetics and the architectural quality and colors that are appropriate for an individual use.

So, I will be opposing the motion. I suggest that if he is really serious about supporting his tenant, then maybe he needs to work towards incorporating the rest of those colors into his plaza. And that's all that I have to say. Thank you.

Mayor Lane: Thank you, Councilwoman. Councilwoman Whitehead, please.

Councilwoman Whitehead: Thank you, Mayor. So, I have a question. I was on the DR Board and I was a no vote. I was interested in hearing Councilmember Phillips' arguments. I think they were good. I will also say that the shopping centers that were shown, they are not beautiful. There is a problem.

The last thing that we want to say is to allow a change that lowers our look and our feel in Scottsdale. So, I don't know the history of how different colored awnings got approved elsewhere. A couple questions, is the patio awning, is that metal? I couldn't tell. I just wondered. That's a question for the attorney.

Applicant Attorney Jeffrey Kerksmar: This is the attorney. No, my understanding is that is the same material as the other awnings. And the material and structure has been approved for that, as well. And we are just talking about the color of that as well. Staff can correct me if I'm wrong.

Councilwoman Whitehead: Another comment I have, and it is my understanding, I go by that shopping center a lot when I commute to work by bike. The thing that stands out is that it doesn't match, and the orange is new and looks good and the teal looks old. Is it my understanding that the owner of the shopping center is willing to re-do all of the awnings to match the orange is that what I'm hearing?

Applicant Attorney Jeffrey Kerksmar: Attorney for the applicant. The owner joined in the appeal and if

you have the notice of appeal in front of you, you will see the owner has signed this appeal and seeks the same outcome of the restaurant, which is the modification of the DRB to keep the orange color.

Because the teal awnings were fading and are ripped in places as noted in staff report, they likely had to be replaced and if the DRB's problem was there would be two different colors, then he would consider changing all of them to orange at the time that he changed out the old teal ones. But that's not one of the proposals on the table and that is not one of the requests made by the owner in the notice of appeal.

Councilwoman Whitehead: I'm wondering if this needs to go back to the third option that was given to us. I don't know if I have that support. I think that I would like to uphold the DRB vote, unless the owner and the proposal would be changed to include and even if it was timed and a change in colors or some kind of coordinated effort. If that's not the case, I will have to listen to hear what other comments come out from my colleagues and see where I land.

Mayor Lane: Thank you, Councilwoman Whitehead. Do we have any other comments on this case?

Management Assistant Megan Lynn: We do have a hand raised by Councilmember Korte.

Mayor Lane: Very good. Councilmember Korte, please.

Councilmember Korte: I apologize, Mayor, I never put my hand down.

Mayor Lane: All right. There are no others?

Management Assistant Megan Lynn: That is correct.

Mayor Lane: There is a motion on the table, and it has been seconded and I think that we've completed... all other options.

Management Assistant Megan Lynn: Mayor, I apologize. I did have just a moment ago, Councilmember Klapp raised her hand.

Mayor Lane: Very good.

[Time: 03:56:57]

Councilwoman Klapp: I just want to clarify we are first voting on the alternate motion, which is number two and if that doesn't pass, we go back to the original motion? Am I correct on that?

Mayor Lane: Yeah, that would be the case. Yeah, it would automatically, frankly.

Councilwoman Klapp: I just wanted to make sure what I was voting on.

Mayor Lane: It does indicate that we have the option to vote to affirm. It would go back to an actual vote on it. It doesn't just defer. Motion has been made by Councilmember Phillips and seconded by

myself. Please announce each councilmember for their vote.

[Time: 03:57:18]

City Clerk Carolyn Jagger: Mayor Lane?

Mayor Lane: Yes.

City Clerk Carolyn Jagger: Vice Mayor Littlefield?

Vice Mayor Littlefield: No.

City Clerk Carolyn Jagger: Councilmember Klapp?

Councilwoman Klapp: No.

City Clerk Carolyn Jagger: Councilmember Korte?

Councilmember Korte: No.

City Clerk Carolyn Jagger: Councilmember Milhaven?

Councilwoman Milhaven: Yes.

City Clerk Carolyn Jagger: Councilmember Phillips?

Councilman Phillips: Yes.

City Clerk Carolyn Jagger: And Councilmember Whitehead?

Councilwoman Whitehead: No.

City Clerk Carolyn Jagger: Motion fails 4-3.

Mayor Lane: Thank you. All right that does complete that item. I want to thank members of staff, as well as the applicant's attorney, but that is the vote by the Council.

Councilwoman Klapp: Can I jump in? Are we not supposed to vote on the first motion now.

Mayor Lane: Yes, we are. Thank you very much. Does someone want to make a motion for that?

[Time: 03:58:33]

Councilmember Korte: I move to affirm the DRB's decision of a teal color or other color in coordination with the shopping center.

Councilwoman Klapp: Second.

Mayor Lane: The motion is made by Councilmember Korte and seconded by Councilwoman Klapp. All right. We'll go through then the vote on that second motion, please.

City Clerk Carolyn Jagger: Mayor Lane?

Mayor Lane: No.

City Clerk Carolyn Jagger: Vice Mayor Littlefield?

Vice Mayor Littlefield: Yes.

City Clerk Carolyn Jagger: Councilmember Klapp?

Councilwoman Klapp: Yes.

City Clerk Carolyn Jagger: Councilmember Korte?

Councilmember Korte: Yes.

City Clerk Carolyn Jagger: Councilmember Milhaven?

Councilwoman Milhaven: Yes.

City Clerk Carolyn Jagger: Councilmember Phillips?

Councilman Phillips: No.

City Clerk Carolyn Jagger: And Councilmember Whitehead?

Councilwoman Whitehead: Yes.

City Clerk Carolyn Jagger: Motion passes 5-2 with Mayor Lane and Councilmember Phillips dissenting.

Mayor Lane: All right, we are completed with that item and the DRB's decision has been affirmed. Moving on to Mayor and Council items, I will ask the councilmembers if they have any items and I will start with Vice Mayor Littlefield.

Vice Mayor Littlefield: I'm sorry. No, I don't have any items.

Mayor Lane: Councilmember Suzanne Klapp?

Councilwoman Klapp: No.

Mayor Lane: Councilmember Korte?

Councilmember Korte: No.

Mayor Lane: Councilmember Milhaven?

Councilwoman Milhaven: No.

Mayor Lane: Councilmember Phillips?

Councilman Phillips: No.

Mayor Lane: Councilmember Whitehead?

Councilwoman Whitehead: No.

ADJOURNMENT

[Time: 04:00:37]

Mayor Lane: And I have none myself. With that, I want to thank everyone for that are participation and being with us this evening on this second Zoom meeting. I would ask for a most for adjournment.

Councilwoman Klapp: Move to adjourn.

Vice Mayor Littlefield: Second.

Mayor Lane: Motion is made and seconded. All those in favor, please indicate by 'aye'.

[All Aye]

Mayor Lane: Opposed? We are adjourned. Thank you very much.