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CALL TO ORDER

[Time: 00:00:02]

Mayor Lane: Good afternoon everyone, we're at the start of our Regular meeting, May 13, 2014. Start with a roll call, please.

ROLL CALL

[Time: 00:00:18]

Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Virginia Korte.

Vice Mayor Korte: Here.

Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

Carolyn Jagger: Bob Littlefield.

Councilman Littlefield: Here.

Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

Carolyn Jagger: Guy Phillips.

Guy Phillips: Here.

Carolyn Jagger: Dennis Robbins.

Councilman Robbins: Here.

Carolyn Jagger: City Manager Fritz Behring.

Fritz Behring: Here.

Carolyn Jagger: City Attorney Bruce Washburn.

City Attorney Washburn: Here.

Carolyn Jagger: City Treasurer Jeff Nichols.

Carolyn Jagger: City Auditor Sharron Walker.

City Auditor Walker: Here.

Carolyn Jagger: And the Clerk is present.

Mayor Lane: Thank you. We do have cards if you would like to speak on any items on the agenda or for Public Comment. They are the white cards the Clerk is holding up over her head to my right. We have yellow cards which she now has over her head for written comments for any of the agenda items we will read during the course of the meeting. We have Police officers in front of me if you need assistance from them. The areas behind the dais are reserved for Council and staff.

PLEDGE OF ALLEGIANCE

[Time: 00:01:20]

Mayor Lane: We have the pleasure of having Brownie Troop 587 with their leader to lead us in the pledge. Ladies, if you would, and all that can stand for the Pledge of Allegiance.

Brownie Troop 587: I pledge allegiance to the flag of the United States of America, and to the republic

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

Mayor Lane: Thank you very much. If you would introduce yourself to the audience with your name and maybe the school you go to and your favorite subject.

Brownie Troop 587: My favorite subject is math. I go to Mission Montessori and my name is Joanne. My name is Bella, I go to Mission Montessori and my favorite subject is music. My name is Carolyn, I go to Mission Montessori, and my favorite subject is reading. My name is Kate, I go to Mission Montessori, and my favorite subject is math.

Mayor Lane: Thank you very much, ladies.

INVOCATION

[Time: 00:03:04]

Mayor Lane: This evening we do not have anyone for a formal invocation. And I'd like to just suggest that we take a moment of silence for prayer on a number of things happening around the country and around the world. For some suggestions or whatever thoughts, the kidnapped schoolgirls in Nigeria, the death and wounding of people of a number of people in the Ukraine, the Officer Mendoza, killed by the one-way driver on the freeway. If there are other things you would like to think about, just take a moment to reflect on that. Thank you very much.

MAYOR'S REPORT

[Time: 00:04:00]

Mayor Lane: Tonight is the last meeting for Vice Mayor Virginia Korte. Not the last meeting, but the last meeting as Vice Mayor. This could have been quite an announcement. I just read what they give me. But I do want to say thank you very much, Vice Mayor Korte, for working side by side in the Vice Mayor's capacity for this period of time. It's been an honor to have you working with us and I want to thank you for that. On June 1, we welcome a new Vice Mayor, Councilman Phillips, starting June 1. Thank you very much, Vice Mayor and just a round of applause. Paul, I knew you would be doing something oddball today. Some standout there.

CITY MANAGER'S REPORT

[Time: 00:05:13]

Mayor Lane: Okay, next order of business, actually low and behold we have a City Manager's report. Mr. Behring.

City Manager Fritz Behring: I would like to ask Jan Cameron to come up.

Parks and Recreation and Human Services Director Jan Cameron: Thank you, Mr. City Manager. Mayor Lane, members of the Council, thank you for the opportunity and your time this evening. The leadership and residents of Scottsdale have valued Parks and Recreation opportunities as a major part of the community. To enhance the quality of life for all. It's what we do. Tonight I want to introduce you to some people who help us measure that service. The Commission for Accreditation of Parks and Recreation measures throughout the states. It provides an assessment tool for our agency through compliance with national standards of excellence. It assures policy makers, department staff and the public that an agency has been independently evaluated against established benchmarks as delivering a high level of quality. With the importance of services to quality of life each agency has a role in the lives of the people it serves. The process demonstrates an agency's commitment to patrons, community. The Parks and Recreation department is in reaccreditation. Part of the effort is to be evaluated by a team of professional peers who serve as a review visiting team. They are here to evaluate compliance with standards. We want you to join us in welcoming the visitors to the City of Scottsdale and take this opportunity to introduce them. Pamela Sloan is from Stockton, California. Amy Blackman is from West Palm Beach, Florida, and Jeanette Williams is from Canton, Michigan. And now I'd like to provide an opportunity for Ms. Sloan to make a brief comment.

Pamela Sloan: Have to lower that, I'm a much shorter person. First and foremost, I want to thank you for your hospitality. It's been an excellent experience thus far. We came here Sunday evening. We have been here a couple of days but I have to say I can see why you're so proud of your city. The facilities, parks, people, everything is stellar at best. When you go through a process such as this review, it's obvious that it makes a difference, that it helps you stay on task and follow regulations and get things done in a more feasible and responsible way. I have to commend you. Think about it, 20 years, 20 years to be having a review. I wanted to just briefly let you know that by going through this process and as Jan indicated there were four cities in the State of Arizona that are accredited. There may be others in the process and looking into it but what that says about your department and the other three cities is that they are setting the standard for the whole state. So when you look at this whole process and you put funding towards it, hear that, funding, and other support that shows that you care about what they do. Most of you up there, not most of you, I'm sure all of you realize the visibility that your parks, your facilities and the programs that you offer to your entire community. I would be remiss if I didn't recognize Jan and her staff.

This is not something that's done overnight. I can tell you hours and hours are spent in that whole process. There's 144 standards. And if you don't know this, you should know that there are certain numbers of those standards that are what they call fundamental. If you do not pass those fundamentals, just one of them, you are immediately eliminated. There's a lot of work to be done, lots of plans put together, a lot of policies and procedures and some are coming from other departments so the camaraderie of all departments working together to make it a total experience is very important. I really truly from my heart and, I'll speak for myself, too, because I was a former director, it means a great deal when you get the leadership support on what you're trying to do that makes you better than others and putting forth the standard or benchmarking of what you do. So Jan, thank you so much for all that you have done. Your staff has been incredible. They have been providing all kinds of things that I'm sorry I can't tell you the results, that's not up to me. All I do is the report and pass it on to the commission and they make the final decision. But I have to say that we have been very, very impressed

with a number of things throughout the city. I want to recognize Bill Murphy, Executive Director. Obviously he supports what is going on and where the direction is. I'll stop there. I want to come back for a vacation is what I want to do. Oh, by the way, I'm so excited, I have my own badge. Anyway, thank you for inviting us and believing in the process itself.

Mayor Lane: Thank you and welcome. That completes the City Manager's report.

PUBLIC COMMENT

[Time: 00:11:50]

Mayor Lane: It's time for Public Comment reserved for citizens comment regarding non-agenda items with no official council action. Limited to three minutes each, a total of five speakers. And there will be an opportunity at the end of the meeting if there are additional requests. Right now, we only have one request to speak in Public Comment.

[Time: 00:12:18]

Katie Mayer: Good evening, Mayor and Council. Thank you for the opportunity to allow me to speak to you today. I'm here today to talk to you about the rampant criminal activity taking place in my community. There's been instilling a lot of fear and prompting some of my neighbors to move. Here is a year's worth of calls I requested from the Police department. Our neighborhood is averaging one property crime every other week, so much in the past week we have had two home burglaries, including where a mother and her newborn were inside the home when the burglary took place. We have a Block Watch in place. We have had the Scottsdale Police department at our community, we formed a website and we are doing our part. We feel like we need your help. It's not getting anywhere. When the Police department came out, they told us we had an average rate of crime. I didn't move to Scottsdale, buy a home and live my life because I wanted to live with an average rate of crime. I just need your help.

I've spoken to Scottsdale property crime detectives and I have been told they don't have the resources and this is a problem citywide. They went as far as to tell me there was a neighborhood that had 24 in a month and that was their priority. I know that you can't communicate back with me during this Public Comment time but I will follow up as will my neighbors in our group with all of you. We need your help and we would like to have the safety and security of our neighborhood that we once had. And then, also, as my time ends here, we have a sober living house on our street. We don't have any proof of it but, when you look at the numbers, the number of, the number of incidents has increased with that sober living house on our street. Thank you.

Mayor Lane: Thank you. That's the extent of our Public Comment this evening. Or at this time.

CONSENT AGENDA

[Time: 00:14:56]

Mayor Lane: Our next order of business is the Consent items 1 through 27. I have no cards on those items and no request for any of them to be pulled. Let me just say that we do have one item on here I want to make a comment on. I don't know that this is the first, but it is item 21, Cutting Horse Event at WestWorld. It has been booked for this summer, I think in June. It's just an indication of effort that's been put forward with our new year-round facility with a Tony Nelssen equestrian center. I'm sure it has gone through all of the channels. We want to make sure that we're staying abreast of these things, Brian and Paul as they come up and very much appreciate these kind of movements. We look forward to welcoming them to Scottsdale. Other than that, there is no further comment on Consent items 1 through 27. Seeing none, I ask that we have a motion. Councilman Robbins.

Councilman Robbins: I'll make a motion for 1-27.

Mayor Lane: Councilman Phillips.

Councilmember Phillips: I had requested to pull an item.

Mayor Lane: I was looking to see if there had been, I thought you had decided against it. Do you want to pull it?

Councilmember Phillips: Yes.

Councilman Robbins: I'll amend my motion, 1 through 27 except 21.

Mayor Lane: Okay. Very good. So we have got Consent items 1 through 27 minus item 21. And it's been seconded. No further comment indicated. We are ready to vote. All of those in favor, register your vote. Tally is unanimous 7-0. We have item 21 as requested by Councilman Phillips moved to the Regular agenda. If you're here for any Consent items, you can certainly stay with us or exit quietly.

REGULAR AGENDA

[Time: 00:18:01]

ITEM 21 – NATIONAL CUTTING HORSE ASSOCIATION DAYS WESTWORLD EVENT AGREEMENT

Mayor Lane: And we will move right then on to our Regular agenda items but start with item 21 which was moved from Consent. We have Mr. Katsenes here to report on it.

Community and Economic Development Executive Director Paul Katsenes: Mayor and Council, you're right, this item 21 concerns the contract for an absolutely brand new show at WestWorld. These folks have not exhibited before, we're thrilled about it. They have worked with Brian and the staff to negotiate a contract. That contract is distinctive for a couple of reasons. This is the first time they had a show at our facility and number two, this week historically has been the close of the season for us at WestWorld for about the next three months. This show is billed and being presented two weeks from now so it's the beginning of the summer season, if you will, with this show. And these folks were very

concerned about the risk of a brand new show and of attracting not only from the region but from the southwestern United States. They think they are organized enough to do this and they think they are going to have a good show but they were very concerned and have a tight budget. Our staff worked with them. We are here to show you the difference between the contract you have in your hand which is the first column and what the standard rate would be, the second column.

Essentially what we said to them is we will make a change in the, we will recommend to the Council a change in the facility rental because this is your first show. And they're going to install stalls. This is a cutting horse. There will be over 200 stalls for cows which is the third distinctive item in the show. I'll show you why, because cows will eat a lot of food. We're going to send a lot of feed and bedding, \$13,000 worth. This food and beverage is for the patrons. These items remain the same in both scenarios. At the end of the day we expect to send them an invoice for \$35,000. The distinction is the benefits that this is a brand new show, they will be attracting cutters from the southwestern United States. It is a summer show. Number three, it's a multi-day show. And number four, we hope if they're successful here, it will lead to multi-year contracts and that they will create additional new shows. This hits several marks that you have assigned to us and so we present that contract to you tonight.

Mayor Lane: Thank you. Councilman Littlefield.

[Time: 00:21:12]

Councilman Littlefield: So the average cow eats more than the average horse?

Paul Katsenes: The total is more to eat, yes.

Councilman Littlefield: I'm glad to know we made the fine distinctions. This is what we were hoping for when we voted to enclose the Nelssen Equestrian Center, to bring in events in the summer season when they were impossible before with Arizona weather. I'm fine with this.

Mayor Lane: Councilman Phillips.

Councilmember Phillips: I wanted Paul to explain this to the public. We wanted the public to understand why we have the discount. We have a year-round venue at WestWorld and we want to make the most of it and this is a new show. It's kind of exciting. I'm sure the Arizona Cutting Horse Association, it has to be real exciting to them. I have a daughter that used to ice skate and we held the ice skating nationals here and it was a big deal to everybody. I understand the excitement and enthusiasm being able to hold it in Scottsdale. With that, I would like to make a motion to approve the Resolution number 9747, authorizing contract with city of Scottsdale and Arizona cutting horse association, to hold the event at WestWorld.

Councilman Littlefield: Second.

Mayor Lane: Motions made and seconded. No further requests to speak on this item. We are ready to vote. All of those in favor indicate by aye. Unanimous. Thank you very much, Mr. Katsenes.

Paul Katsenes: Thank you.

ITEM 28 – SCOTTSDALE QUARTER-PHASE III, BLOCKS L & M REZONING (18-ZN-2013)

[Time: 00:23:20]

Mayor Lane: Other Regular agenda items, 28, which is the Scottsdale Quarter Phase III, Blocks L and M Rezoning.

Planner Bryan Cluff: Good evening, Mayor and Council. This is 18-ZN-2013, Scottsdale Quarter Phase Three relating to building height and floor area ratio. The base building height is 60 feet, exclusive of rooftop, the applicant is requesting 90 feet inclusive of rooftop appurtenants. The applicant is requesting 1.0.

Blocks L and M are going to be the final phase, located at the northwest corner, highlighted in yellow on this map. Here is a closer look at the site. Phases 1 and 2 to the west have been built out. The subject site is yellow and the vacant piece on the map to the north was approved last year for a 90 foot tall apartment building which is currently under construction. The General Plan designates the site as mixed use neighborhoods. Within the Greater Air Park Character Plan, designates mixed use residential with regional core development type which allows the greatest height and intensity in the air park. This is the proposed site plan for blocks L and M, highlighted in red. The two buildings will comprise approximately 480,000 square feet with a breakup of approximately 43% retail, 29% office and then 28% hotel and residential uses. The planned regional center district has extra criteria that the project is required to meet. These are highlighted briefly. It needs to be vertically integrated mixed use.

Add additional 5% open space. Setbacks and underground parking must be provided and any above ground parking needs to be integrated into the architecture of the building. Compliance with the Scottsdale Green Building Program. Here is some models of blocks L and M showing the 90 feet height. The top one is view from the northwest. On the bottom would be from the northeast. This slide and the following are block M only. There's additional detail provided to show the integration of the parking structure into the building and screening of the parking structure. We have the view from the southeast and southwest. And then the view from the north and the northeast. Development Review Board and Planning Commission heard the case and recommended approval. And that concludes staff's presentation. The applicant is also here and has a presentation.

Mayor Lane: Thank you very much. Paul, if you want to go ahead.

[Time: 00:27:20]

Paul Gilbert: Paul Gilbert, 701 North 44th Street, Phoenix. We are in complete agreement with the staff report. We stand in the posture having agreement from Design Review and Planning Commission. We have a staff finding that we have met all the requirements of the PRC ordinance in order to justify the increased height and FAR. And with that, we will perhaps naively but sincerely waive our

presentation, although we have a full slide presentation and a very lengthy presentation to give you if you would like it. I know Councilman Littlefield likes these large presentations but we're going to waive it tonight unless we get different feedback.

Mayor Lane: I thought it was a threat, actually. All right, I think, I don't know that there's any problem with that, but we'll start with some questions. You might stand by, though. Councilman Phillips, and if you would direct your questions to whomever you would like. Within bounds.

Councilmember Phillips: This is not a question, just a statement because this is, this is a done deal. You know, the Council was the one that approved mixed use residential. Council approved 90 foot height on the first building. Planning confirms everything so that doesn't really matter. If you look at 73rd Street which is where it backs up to on the east side is a helicopter training facility. I'm sure those people are going to love to hear those start up every morning. Hopefully the helicopters will fly straight up. I'm going to vote against it because I think it's ridiculous.

Mayor Lane: Thank you. Councilman Littlefield.

Councilman Littlefield: I voted against putting this in the PRC. Too tall, too dense. When we approved the Waterfront, they said all this will never get out of downtown. It has. Even if the airport wasn't there, it's too tall, too dense and a mistake to allow the urbanization to continue up Scottsdale Road.

Mayor Lane: Thank you. There are no cards on the subject. And I don't see any other requests to speak on this. Do I have a motion?

[Time: 00:30:13]

Councilwoman Milhaven: Mayor, I move that we adopt 4150, approving the zoning district map amendment and development plan. PRC district requirements have been met and map is consistent. With PRC zoning and adopt Resolution 9730.

Mayor Lane: Thank you, the motion has been made. Would the seconder like to speak?

Councilwoman Klapp: No.

Mayor Lane: We have a motion and second. No further comments or requests to speak. All those in favor, please indicate by aye. Opposed by nay. Motion passes 5-2, Councilmen Littlefield and Phillips declining. Thank you very much.

ITEM 29 – ECONOMIC STRATEGIC PLAN FRAMEWORK

Mayor Lane: Thank you. Item 29, that item has been removed from the agenda by staff and will be heard at the July 2nd Council meeting. My apologies if you're here for that item, that will not be heard tonight.

ITEM 30 – MONTHLY FINANCIAL UPDATE

[Time: 00:31:45]

Mayor Lane: The next item is 30, the Monthly Financial Update. We have Mr. Nichols, our City Treasurer to give that report.

City Treasurer Jeff Nichols: Good evening. Pleasure being here. It's good to report good news for the month ending April 30, 2014. Starting off, I will not go too much depth regarding the one percent general purpose tax. However, there are some areas I would like to cover. If you have any questions, please feel free to stop me and ask them. State shared taxes I wanted to note, there's a difference \$300,000. We received only one payment during the month of April. We received one of the payments that we should have received in April in the beginning of May so that negative variance will go away. Also wanted to point out with the primary property taxes, about halfway down, it's a timing issue. We normally collect 99.9% of our property taxes, so it's usually not an issue. Would also like to point out that the favorable, the franchise fees, the favorable variance about halfway down the page of \$600,000 or 5%. The majority of that \$523,000 due to utility providers and it's cable TV. More people ordering cable TV and paying the franchise tax so we're benefiting from that. Fees, fines and forfeitures, you'll notice that the variance is getting a little bit smaller. That's because as I reported last month, the Chief of Police put more resources on that issue. We're getting those photo radar citations processed and through to the court.

Matter of fact, the increase in filings of for the month of April went up 158%. 6,858 citations were filed with the court so processed through the Police department to the court for collections. Hopefully we will collect those revenues prior to year-end. The other areas, court fines up about 7%, contributing about \$230,000 to that favorable variance. Down on the, excuse me. Down on building permits, again you notice running about \$4.7 million ahead of budget, about 60%. We talked about this before, majority of that is due to multi-family permitting. There's also some single family permitting. Interest earnings, about a \$700,000 variance, 79%. Remind you, we will make an adjustment at June 30 to book the paper losses, if you will, related to interest earnings and that will go down to probably budget, maybe a little below budget for the end of the fiscal year.

The one percent sales tax category. Let me back up. The other large variance that we have is related to the, I'm sorry, excuse me, contributions, donations, miscellaneous reimbursements. As I reported 3602 East Scottsdale Road we sold some property. Also the 7234 East Bellevue property. In addition, outdoor dining leases, we're seeing a lot of activity in that area, and those rentals, if you will, are increasing above what we forecast for budget. I would like to point out, there's about \$612,000 in this category that we received payment early. One from TPC, we received a payment in April that was not budgeted until May and the other from Charros. It was budgeted in May, about \$150,000. These will wash out.

[Time: 00:26:25]

Getting to the one percent category, small retail stores what we're hearing is just increased economic activity in addition to a couple new additions to the small retail store categories. Miscellaneous goods

and services you see a \$700,000 variance, approximately 12%. Majority is sales from computer and software and hardware from wholesale. We're seeing used and new vehicles, the new dealerships, performing better than anticipated. Looking down at utilities, negative variance is \$100,000, 3%. It's related to reduction in land lines. Again, I don't know if this is a millennial issue. People are relying on cell phones. The other thing I would like to point out is construction sales tax, \$800,000 above budget, 10% increase favorable, driven by construction. From previous years we're up 11% for the month of April. Again the forecast was 4% increase so we are doing markedly better in the last months. Hopefully that continues into May and June.

And now on the expense side, operating funds, uses by category. As you can see, the majority of the personnel services, the negative variance of \$500,000 is driven by the overtime and more specifically by the overtime in the Police department. This is to maintain minimum staffing levels in the PD. Approximately \$915,000 of that one million dollar variance is related to the PD. On the good side, the Fire department, negative variance in Fire is coming down. It continues to decrease and hopefully by the end of the fiscal year the negative variance in Fire over time will go away completely. The contractual commodities and capital outlay category, \$4.4 million favorable variance. We probably will realize some of this getting so close to the end of the year. One of the big drivers is in Public Works, in relation to the repair of the garages here at the library and the one behind the building, just to the west of this campus. They are ongoing repairs and we haven't paid out those contracts in full yet so we see a positive variance there. There's software that Capital Project Management is buying. They're negotiating with the vendor, they have not made the payment. When they complete negotiations that variance will go away. The other areas in the Police department. Jail services contract we have not received invoices from Maricopa County for the jail services contract since December. We are five months and no payments on that contract. I assume that at some point Maricopa County is going to bill us for those services and we will have to pay for them so that variance will go away.

Mayor Lane: I wonder if they're listening right now.

Jeff Nichols: Mr. Mayor, if the Sheriff is listening, I'm not sure he cares what I'm saying. Just from what I've seen. The photo radar contract, is a month behind. And so these variances will go away as we hit the end of the fiscal year and start accruing these expenses back to this fiscal year 14. I don't expect that we're going to actually reap any real benefit from the majority of those. Again, by division, looking at the divisions you can see Public Safety. And actually, Public Safety Police I would like to focus your attention on. We have a \$100,000 positive variance. With the \$900,000 over within the overtime area, they have other areas within the Police department that they're covering that overage right now. Whether that lasts through the end of the fiscal year, I don't know. We'll see when we get there. The one thing, what I would like to add with this slide is, this is new. We presented this, my understanding, and correct me if I'm wrong, Ms. McIlroy, we present this time of year, it looks at the fiscal year 13-14 approved budget and then we take the forecast that's in the tentative budget for 14-15 and we compare. Right at this point in time you're looking at the sales taxes from what was approved from 13-14 and what we're forecasting for 13-14 in the tentative budget so where we will begin 14-15 we show a favorable variance of \$3.6 million. I would like to add that when we come back in May and we talk about these figures, that they will be adjusted more than likely upward based on actual.

So this is just what was the starting point for the fiscal year 14-15 budget and we've done better since we first posted these numbers but we wanted to bring them back in front of you. And so General Fund, year-end estimates. Again we're showing overtime variance remaining at a million dollars. But on the expense side we were showing about a \$2.0 million variance to begin the next fiscal year with. With that, I would be happy to take any questions. Overall fiscal year 13-14, we were forecasting \$2.8 million unreserved balance, the tentative budget is 12.2 million and that may increase in May.

Mayor Lane: Thank you, Mr. Nichols. Obviously a good report on all lines, certainly very informative and positive. Thank you very much. I do not have any questions.

Jeff Nichols: Thank you.

ITEM 31 – PUBLIC HEARING AND ADOPTION OF FISCAL YEAR 2014/15 RATES AND FEES

[Time: 00:43:40]

Mayor Lane: Item 31, Public Hearing and Adoption of Fiscal Year 2014-15 Rates and Fees. Mr. Nichols, I suppose you might have just stayed right there.

City Treasurer Jeff Nichols: I could have, but then I would have been without my materials.

Mayor Lane: All right.

Jeff Nichols: So in, let's get this started off. It's going to be a dual process. I am going to give you the updates on rates and fees. Back on March 3rd, staff presented this to Council as required for changes in rates and fees. I believe at that point, Mr. Biesemeyer went first. He presented Enterprise and I presented General Fund items. I know you have a Council Action Report in front of you that talks about the fact that we're requesting the City Council adopt either new rates or increased rates by Resolution and/or, Resolution or Ordinance, I would like to point out that number 5 on there, Resolution number 9704, that staff would not recommend at this time that you all adopt Resolution number 9704 implementing the new off duty for the Scottsdale Police department. The reason I'm pointing this out because the March 3 meeting motion was made and seconded and passed where staff was directed to do a market rate analysis. That is not complete. We kind of got ahead of ourselves. We need to come back at a future date and bring that market analysis back. At that time if the chief of Police feels these rates are still warranted we would request for your approval at that time. But we won't request that approval tonight.

Mayor Lane: That's item 5, then?

Jeff Nichols: That's correct, Mayor.

Mayor Lane: Okay. Under 31, of course.

[Time: 00:45:43]

Jeff Nichols: That's correct. So going forward, annually, we come forward for Council direction and to get approval for the, to determine direct and indirect cost of service and recovery rates. It's what's acceptable to, as a recovery rate for the City Council. Proposals coming forward were submitted by the City Attorney, City Court, Community Economic Development, Community Services, Public Safety, Fire. The new rates estimated to increase General Fund, I would like to point out that \$701,000 is used to present a balanced budget which the City Manager will talk about right after this. So these were the rates and fees that Council at least on March 3rd when staff presented it was comfortable with. We are bringing forward for you to adopt those rates and fees and we should enjoy the increases from the fees. Service enhancement surcharge in the City Attorney's office. The City Attorney is here to talk about this if need be, if you have specific questions but basically a surcharge of \$10 to every civil and criminal charge excluding parking. This is again enhancement. We are providing services we are not required to provide and we are trying to recover some of that cost. No not all of it but just some of it.

The additional General Fund revenue generated is approximately \$300,000 is what we're estimating. Annual review of rates and fees, court, they propose establishing two new fees, contract admin fee, when someone is told they are fined by the court and they say they don't have the ability to make the payments, staff will sit down and based on their economics they will decide if they can enter into a contract and maybe make monthly payments to pay off their fees. We want to capture some of the costs of working with those people. The other is a warrant fee.

My understanding is there are certain fees we have, I'm not sure if the judge is here, but there are certain fees related to the issuing of a warrant that we're trying to recover with these costs. Again, not the total cost but partial cost recovery. We're asking for revision of the five existing fees, diversion program, probation fees, home detention, order modification fee and court enhancement fee. The additional General Fund revenue is approximately \$310,000. Court enhancement fund revenue of about \$770,000 related to these changes. Community and Economic Development, we're asking for increase in the proposed wireless facilities right-of-way fees. Post July 29 installations to generate approximately \$39,000. Community Services, annual review of program charges, rental fees and fines scheduled resulted in the following proposals. Scottsdale Ranch Park and Indian School. In the library we are asking to re-establish processing fees for lost or destroyed items. That charge was eliminated in 2006, we're asking for establishment of two fees based on interlibrary loans. People requesting and not picking up the book or requesting the book and keeping it longer than they had asked for. The additional General Fund revenues for this is approximately \$42,000.

Then one correction we're making is the City Council approved the establishment of an \$8 related to McDowell Mountain Skate Park and we're going to implement that in 14-15 and start charging that fee. Public Safety, Fire. Increased fees for three classes. First aid class, CPR and a combo class of first aid and CPR. Increase fees for Fire service safety permits, these are inspections. Fire and life safety, after hours and weekend inspections. These are currently being done. The first one, we're asking to go from \$100 to \$159 per inspection. After hours, to go from \$100 to \$125. And there's approximately 120 hours of billable hours in that fee. The other is to establish off-duty rates for Fire personnel. I would like to add to this is to establish the fees for these services. We don't have a program in place currently and staff is going to, if these fees are approved, I mean, staff is going to come back with a program and look for

Council's approval on the implementation on that program.

Your approval of the rates tonight is not approval of the program or giving permission to start charging these. We will be back before the Council in order to do that. The bottom line is what we're going to do is for off-duty hourly rate, we're going to take our, what we're paying our Firefighters, either 56 or 40 hour Firefighters and add about 10% to that. That's going to be the rate we're going to charge if someone wants to use the services. Off-duty rate request, an additional \$5 an hour. If it's a late request, a day or two days before and they have to scramble to fill that need. Off-duty late payment, 5% for every 30 days the fees would be past due. Off-duty insurance waiver option, that's an option in the Police department. We require people using our services to pay a fee to us and we'll self-insure through risk management or if they want to waive that fee and include that liability under their insurance policy, they can do that. With that, I would stop and answer any questions. There are additional slides here that you may have seen and have questions about and I would be happy to answer those or the directors of these different areas.

[Time: 00:53:13]

Mayor Lane: Thank you, Mr. Nichols. Don't see any questions at this point in time. I do have one. If you went back one slide, the interlibrary loan items. I don't know, the processing fees for destroyed items, we're talking about something internal, not something assessed against the individual users within our library system?

Jeff Nichols: The interlibrary loan requests, we may not have the item in our library, they put in a request. We go out and get that, the material that they wanted from the City of Phoenix. We bring it in here. They check it out and they don't bring it back on time. And then we would charge them a fine.

Mayor Lane: The interlibrary, if I might, and I don't want to dwell too much, this is something that we initiate in borrowing or getting from another library, this does not have anything to do with another library borrowing from us?

Jeff Nichols: I'll defer to Mr. Murphy.

Community Services Executive Director Bill Murphy: Mayor, you're correct. This is just the arrangement that the City of Scottsdale has to go to another jurisdiction to get a book for a patron that's requested that.

Mayor Lane: Bill, I suppose one of the areas we have been concerned about through the years is the extent of people outside of our, outside of Scottsdale using the library system and we had some kind of recovery system from the County library system. I wonder if this has anything to do with the exchange of fees through the other library system. It sounds like it's not.

Bill Murphy: That's correct.

Mayor Lane: Is there anything that we need to look at as far as the County library system and the

reimbursement that we get? I realize it's a little off of this, but.....

Bill Murphy: Mayor Lane and Council, the agreement we get from the County is based on a different mathematical way how they calculate that. It's kind of separate from this issue.

Mayor Lane: Based upon some kind of state allocation methodology.

Bill Murphy: Correct.

Mayor Lane: Thanks. Sorry to trouble you with that.

Bill Murphy: Okay, thank you.

Mayor Lane: Seeing no other comments, it's been before us before, there are no comments, I think we fulfilled the mission and thank you very much for this aspect of the fees. Thank you.

[Time: 00:56:06]

Water Resources Executive Director Brian Biesemeyer: Mayor and Council, Brian Biesemeyer, Water Resources Executive Director. The Enterprise funds are by policy designed to collect 100% of their cost through rates and fees. We ensure the long term stability of our fund. We have been successful for the last four years of keeping our rates flat. And the proposed rates for FY14-15 is no increase on the water rates and a slight decrease on the sewer rates. I'll get into that further in further slides. Again, no overall rate increases are planned although we do have some service charge increase which I'll go over in the next slides. The service charge adjustments are part, these are charges for a specific service provided and they represent the cost of that service provided. The following chart shows service charges phased in over two years. This is the second of two year phase-in of service charge increases. And go to the next slide. There we go.

The top chart again is the continuation of those service charges that are phased in over two years. The bottom chart shows proposed to implement in three years, we're showing the second of three years. The numbers of these charges are relatively small. At the bottom you can see the estimate is that increased revenue from these charges is \$46,500. We are proposing a change in our sewer rate structure. On the left, you can see our current sewer rate structure. We have a customer service charge and a volumetric charge. Even though someone may require a small amount of sewer service, they pay a minimum charge of \$14.87. We propose to have a base fee based on meter size proportional to potential sewer flows and a volumetric charge, with no minimum charge for overall rates. Again, this eliminates the customer service charge. It implements a base fee. We have a reduction in volumetric charges for residential customers.

We tried to ensure, we made an estimate on what the sewer rates would be and wanted to be conservative so we reduced rates to show a slight revenue decrease in the sewer fund. It's only an estimate. If folks use more services, revenues will go up as will our costs. Again, these mirror our water and development impact fee methodologies and as I mentioned before, the base fee represents a fixed

cost of reserving capacity for service. Regardless of the amount of service there is a fixed cost for treatment capacity and flow capacity. We believe volumetric rates, and the new structure allows more flexibility. Again, this is a sewer rate charges. Meter size is on the left, the base fee. Then the volumetric charges on the right show a slight decrease for residential and multi-family residential on volumetric charges. The impact to this for residential customers, on this following chart, the white line is our current sewer rates. The red is the proposed.

So you can see that if you're a current customer and your sewer volume is less than 6,000 gallons per month, under the new proposed rates you would receive a decrease in your rates. Those over 6,000, depending on exactly where the slope of the line has changed a little bit, will be mostly equal to their current charges although some at of the higher volumetric area will show a slight decrease. I think it's a win for our folks that have a very small sewer volume. And can receive some savings in that area.

[Time: 01:01:31]

Mayor Lane: If I might, I just, you mentioned the methodology that we are trying to employ really on the basis of conserving, but staying revenue neutral as relates to lesser users of water.

Brian Biesemeyer: Correct.

Mayor Lane: Since this is tied to water usage we have combined effect of making a little easier on residents who use less water than those who use more water.

Brian Biesemeyer: Mayor and Council that is correct, we are trying to make an incentive for those who use less, pay less.

Mayor Lane: In the water discussions taking place in the greater Arizona, but certainly the valley, I think it's an important point for us to continue to let folks know of the change in direction here because there's a number of communities that are still struggling with the idea of reversing the quantity advantage, using more water, at a lesser rate. Of course that corresponds with sewer rates, as well.

Brian Biesemeyer: Mayor, you are correct. It is important to let folks know there is an incentive for saving.

Mayor Lane: Thank you.

Brian Biesemeyer: Revenue projections for these, on the water side, no change in revenues. We saw the service charge of \$46,000, so just doesn't meet the significant digit here but there was a \$46,000 increase overall in the water side. And sewer we're projecting a \$400,000 decrease for a net of approximately \$400,000 less revenue collection in the upcoming year. And then moving on to solid waste, aviation, both of these were requesting no rate increases for the following year. And that ends my part of the presentation pending your questions.

Mayor Lane: Thank you, Brian. I don't see that we have any questions on this item. And from the

audience and no questions from the dais. In that this is a hearing, great presentation with your PowerPoint and I think we have fulfilled the mission as is necessary for that hearing. Taken care of. We will move on from item 31 which was that Public Hearing and Adoption of Fees, and we'll move on to item 32, Public Hearing on and Adoption of the Proposed, oh, yes. I'm sorry.

Councilman Robbins: I move that we, that the Council adopt Resolution 9706, Ordinance 4147, Resolution 9705, Resolution 9739, Ordinance 4153, Ordinance 4152 and Resolution 9743.
Second.

Mayor Lane: Motion made and seconded. If there's no further comment, I think we're ready to vote. All those in favor, please indicate by ayes. Those opposed with a nay. Motion passes unanimously, 7-0. Thank you, Councilman. All right, we are officially completing the Public Hearing and Adoption of Fiscal Year 2014-15 Rates and Fees.

**ITEM 32 – PUBLIC HEARING ON AND ADOPTION OF PROPOSED FISCAL YEAR 2014/15 BUDGET
(TENTATIVE BUDGET)**

[Time: 01:05:27]

Mayor Lane: We have our City Manager, Mr. Behring.

City Manager Fritz Behring: Tonight we continue the process of finalizing our budget. Consideration of Ordinance 4156 for the Council to look at. I want to quickly recap where we are and answer any additional questions you might have. 2014-15 budget as we present it tonight is balanced. It incorporates Council priorities and direction that has been garnered over the last several months. It does provide for salary increases for employees. We base on a performance type system, amount equal to 3% of payroll for each department allocated to the departments for the managers to distribute amongst their workforce. We have incorporated \$2.7 million in General Fund expenditure cuts. It's real cuts, of real spending. We have eliminated net 20 full-time positions in the General Fund, excuse me, 20 full-time positions, 18 of which are in the General Fund. Streamlined the organizational structure and increased our contribution to the capital improvement program especially in light of the fact the voters turned down the bond issue last fall. General sources overview. We expect that our revenues in the General Fund will be up by \$9.1 million. Expect sales tax receipts increase of 2.5%. Auto sales tax receipts we expect to see going up 7%. We are not proposing a property tax increase to pay for operating costs of the city. The revenues that we do show here included \$3.5 million of one-time revenues from the sale of excess city buildings and we have reduced the contingency line item from \$5 million to \$3 million.

Some significant General Fund increases are shown on the next slide. Salary adjustments will cost the city \$4.5 million. Maintenance and operation, replacement of city vehicles, computers, etc. increase of \$2.1 million. Rate increase is what the city has to pay to the State of Arizona for the retirement program for our employees, \$1.4 million additional. The city's additional cost for employee healthcare, \$600,000, and then the transfer of two FTE honoring an agreement from several years from court enhancement fund back to the General Fund will cost the General Fund \$200,000.

[Time: 01:08:54]

At your last meeting the City Council gave direction regarding several key items. One of them was to keep the interlocal agreement for Palomino Library in place. It did, however, to sell excess properties and did agree the transfer from General Fund to the Capital Improvement Program. To make up the money that was originally slated to be identified as savings from the Palomino agreement, we incorporated a couple of tasks. First of all, we reduced additional costs in the Community Services operation, found additional savings of a proximately \$100,000. We eliminated an additional FTE, a vacant position that had come vacant, I should say was soon to be vacant and will not be refilled, that position will be eliminated through restructuring, saved additional \$100,000 eliminated the wide step practice.

The city policy did provide that people could be paid above and beyond their market salary range. That practice will discontinue effective July 1st. Those three cuts and some additional minor modifications on the revenue side made up the \$400,000 that we did not realize in the Palomino agreement. So, the budget as presented, we talked about this before, does not do what everybody wants. It doesn't make everybody happy. But it does incorporate the core values that I think the Council wanted, a balanced budget that continued our services to the residents, that recommend and provides for salary increases based on performance for our employees and does it in a cost effective manner. I think the important thing is that this process while it's over for the fiscal year, as we continue on in the next coming months and as the next fiscal year begins we will constantly monitor our General Fund operations and Enterprise operations and if there are areas and opportunities for us to cut costs I will continue to recommend revising operating standards, looking at structural changes, continuing to identify places where we can save money, not that we necessarily will spend less money next year, but that we can redirect those savings into other priorities that the Council might have. I would be happy to answer any questions you might have.

Mayor Lane: All right, thank you, Mr. Behring. We have one request actually from the audience to speak. So I'm going to go ahead and see that first. Then we do have some questions from the dais. The one and only one with some dedicated time, we've got Cindy Hill, time dedicated or donated by Kathy Littlefield. Cindy, four minutes will work for you?

[Time: 01:12:01]

Cindy Hill: Thank you. Good evening Mayor and City Council, Cindy Hill. 8414 East Vista Drive, Scottsdale. I come before you tonight to express my disappointment that you're preparing to vote on a budget that does not address the needs of Public Safety in Scottsdale. All of you have said safety is the city's number one priority. You have failed to address the loss of veteran officers to other agencies in any meaningful way. Our Police chief verified he expects to lose 24 veteran officers. That's \$2.4 million in replacement costs and 36 year in lost productivity and experience. Our City Manager has told you in order to be competitive the city needs to implement some kind of 5% merit-based step system. You have failed to address manpower shortages. Scottsdale Fire department cannot fully staff our busiest Fire station. Scottsdale PD is short almost 30 officers from the last time the valley played host to

the Super Bowl. Due to the increases at the bars and party goers, Scottsdale Police will need to move 12 officers from the north to the south. Instead of solving the problems, the Public Safety is facing, some prefer to spread misinformation. The belief we are over staffed based on per capita is erroneous. You cannot base staffing on the number of residents in 186 square miles. When Scottsdale adds 5,000 to 10,000 partyers in the entertainment district. Scottsdale hosts large events every year which brings in hundreds of thousands of visitors every year. Others want people to believe Scottsdale spends over 50% of the city budget on safety which is false. Our real Public Safety budget is 10% of our real total budget. It's amazing that one area of our budget is considered untouchable when we argue with a small portion called General Fund. Wouldn't be nice if funding Public Safety would be considered part of that untouchable or if Public Safety was considered as untouchable as the \$4 million. Redundant, we have anti-littering laws, ineffective the noise ordinance and Public Safety for bars. You have a final opportunity tonight to show our citizens such as Katie who was here earlier that Public Safety is the number one priority for our city. If you don't, more and more citizens will be in here complaining about safety concerns. Thank you.

Mayor Lane: Thank you, Ms. Hill. That's the extent of the Public Comment on this item. But I'll move then to Councilman Milhaven.

Councilwoman Milhaven: Thank you for your presentation. I know that the budget also includes capital investments but given the direction we've gotten from the citizen with the failure of the bond I would like us to be thinking about what we need to do to preserve our current assets. Mr. Nichols, if you could come back before we finish the budget and give us a sense, what we would have to find in our budget to replace existing assets as we move through the coming year we have an eye on what would be if we could create a fund to replace our existing assets. I would appreciate that in a future meeting. Thank you.

City Treasurer Jeff Nichols: Will do.

Mayor Lane: Thank you. Councilman Littlefield.

[Time: 01:17:16]

Councilman Littlefield: Well, I believe when we had this, we had this conversation last week, you said that you were going to address the Public Safety staffing and retention problem. So is that going to, when will that happen?

Fritz Behring: I've already had some initial discussions with some of the staff and I believe in order to look at this thing, it can't be addressed in one week or one month and we have established a timetable to meet with the employees over a period of the next four to five months and bring back solid information, solid proposals for the Council to consider before the end of the year to put this issue to the Council so that policy and public direction, proper public direction can be given to staff so we can implement any changes that the Council might want. But in order to have a worthy product and worthy substantive discussion on this, it's going to take time to put it together and get all sides around the table and have proper input on that.

Mayor Lane: Thank you, Councilman, thank you, Mr. Behring. Seems to be the extent of comment at this point in time from the dais or Public Comment. So in this particular case, so noted that we have fulfilled the public hearing but we also have the adoption of the proposed fiscal year 2014-15 budget. With the indicated Ordinance adoption of 4156. Do I have a motion?

Councilman Robbins: Mayor.

Mayor Lane: Yes.

Councilman Robbins: I'll move that the Council adopt 4156 as presented.

Vice Mayor Korte: Second.

Mayor Lane: Motion is made and seconded. Further comment on it? Okay. Then I think we're ready to vote. Thank you very much, Mr. Behring. All those in favor, please indicate by aye. Register your vote. Tally is unanimous, 7-0. So thank you very much. If there are no further requests for Public Comment, there are no petitions offered and no Mayor and Council items so with that, I thank everyone for their participation.

ADJOURNMENT

[Time: 01:19:43]

Mayor Lane: I'll accept a motion to adjourn. Moved and seconded. All those in favor of adjournment, indicate by aye. Thank you, we are adjourned.