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CALL TO ORDER

[Time: 00:00:05]

Mayor Lane: Good afternoon everyone. I didn't realize the first three rows are reserved. I would like to call to order the Work Study Session. It's about 4 p.m., May 13th, 2014. Roll call, please.

ROLL CALL

[Time: 00:00:29]

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Virginia Korte.

Vice Mayor Korte: Here.

Carolyn Jagger: Councilmembers Suzanne Klapp absent, Bob Littlefield.

Councilman Littlefield: Here.

Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

Carolyn Jagger: Dennis Robbins.

Councilman Robbins: Here.

Carolyn Jagger: City Manager Fritz Behring absent

Carolyn Jagger: City Attorney Bruce Washburn.

City Attorney Bruce Washburn: Here.

Carolyn Jagger: City Treasurer Jeff Nichols.

City Treasurer Jeff Nichols: Here.

Carolyn Jagger: City Auditor Sharron Walker.

City Auditor Sharron Walker: Here.

Carolyn Jagger: And the Clerk is present.

Mayor Lane: Thank you. Okay. First order of business is work study, this is not for official action, but for back and forth on the subject of our first item, our one and only item I should say. We do have a request to speak and we confine it to five total, or 15 minutes, five at three minutes each. So a total of 15 minutes is set aside for public comment, reserved for only on items on the agenda, and will begin now at the beginning, not at the end as we sometimes do. If you have a desire to give us additional written comments, we have the five, we can have you give us yellow cards that will have comments that we will read during the meeting. We have rest rooms under the exit signs. That's there for your convenience.

PUBLIC COMMENT

[Time: 00:01:15]

Mayor Lane: So we do have actually just the one item. Preserve Status Update tonight. And we do have a request by five individuals, at three minutes each just to comment on this item. We'll start with Carla. It will be followed by Rebecca. Thanks.

[Time: 00:02:32]

Carla: I haven't been here in a while.

Mayor Lane: Welcome.

Carla (Legal name): Thank you for the opportunity to speak. 25 years ago, a handful of folks came up with this crazy dream and it has been embraced fully by the citizens, four Mayors and almost every elected official. We now have the natural treasure that gives so much to the city economically, physically, spiritually. I think we're here to say let's not give up while we're in the home stretch. Let's not have talk of moratorium. Is it your responsibility because the Preserve belongs to the city, is it your responsibility to make sure it's managed and stewarded properly? Absolutely. Should you create an operating endowment or fund so you can have proper O and M? Absolutely. Are you probably going to need more city staff to coordinate the volunteers? Yes, you will. But none of that says you have, you have to stop buying land. Very important to the success of the Preserve. It's a key access area, folks would love to put high scale Circle K or whatever. It shouldn't be there. There's always been a plan for the Preserve. Don't give up on it, especially not while here in the home stretch, after we have achieved so much. Definitely we need to have an operating endowment or however you want to say it. We need to have staff that oversees the Preserve because it does belong to the citizens, that helps facilitate all the wonderful volunteers. Especially not now should you stop buying land or entertain any thoughts of a moratorium. As you choose to proceed tonight, I hope it all moves toward us continuing the success, not stopping it because our city talented, our citizens have spoken loudly. We can do more than one thing at once. Let's keep moving forward and let's actually complete the dream. Thank you.

Mayor Lane: Thank you. Rebecca, followed by Jane.

[Time: 00:05:15]

Rebecca Eickley: Thank you, Mayor. Vice Mayor Korte. I want to thank you for bringing this item forward. It's important to keep track of the money going forward but I do have to second what was said in terms of the moratorium. We don't think it's necessary. It's not the wishes of the citizens to use that money for anything other than the purchase of land so using it for anything related to maintenance or operations is really contrary to the spirit of how that was supposed to work.

The most important thing I want to say, when I did work for the city we did several studies related to the cost of development and cost of Preserve. If you think about it, it only makes sense. On the big picture area, it costs more money to not have the Preserve than it does to have the Preserve and that is because infrastructure cost for development. Water, sewer, roads, libraries cost way more than it costs to buy the land because once you have it it costs very little to keep it operating and the maintenance costs are very low also. On a big picture basis, I would advocate we buy more land rather than less land especially given the situation with our water in the future and how critical it's going to be. It's going to be not only difficult but may be impossible to source more water for the city. The more we have preserved, the less expensive that water will become for us. Thank you very much.

Mayor Lane: Thank you. Jane Rau followed by Howard Myers.

[Time: 00:07:15]

Jane Rau: Good evening, Mayor and Council people. I feel so sorry for you folks because you spend time behind computers and not really understanding the joy and the beauty of wonderful desert that is out there. I represent 570 stewards who are enthusiastic, absolutely love and all the joy we have doing the things for the Preserve that a lot of people can't understand. The other thing is, you ruin your eyes

sitting behind, I'm not kidding, looking at all those screens all the time. You don't take time to get out and exercise your body. Come on, I'm 91, at high school weight. How many of you can say that?

Mayor Lane: I'm not 91.

Jane Rau: That's what I mean. And you can't make decisions when you do not get out and get exercise and breathe deeply and get your heart rate up part of the time. I get my heart rate up riding my bike at least twice every morning, at 5 and 5:30. You need to understand that the Preserve is the most important thing to all of us who serve and volunteer many, many hours of joy and fun working with the eagle scouts and all of those folks. You don't get the, well, you don't hear all of the words. And the most important thing is my trail has brought so many words of love and spirituality. Anyone who hikes will say there's a real spiritual feeling in there because of the way that wash is, because of the little paper bag plants. See, I love the things that are different, that are special about our universe. And I feel sorry that you can't take the time to take care of yourselves because we need the right answers for the Preserve. We need to be supported for what we do, willingly, with a great deal of love and enjoying every minute of it with all of our friends. So, complete the Preserve. Don't chop off the head of our wonderful, wonderful golden goose.

Mayor Lane: Thank you. Next is Howard Myers, followed by Kathy Littlefield.

[Time: 00:10:41]

Howard Myers: Thank you. Howard Myers. Tough to follow Jane, she has some good points. She does maintain the trails, too, she didn't tell you. It's good to study the cost of maintaining the Preserve. You should do that. But nothing can be more important than acquiring land. Once it's gone we lose ability to get it back. The voters decided to tax themselves to pay for the Preserve so it should be their decision when to stop and what to use excess money for. The Council has plenty of time to study the Preserve and go back to the voters. A conservative estimate 95 million, minus for Kroy's big wish list, that brings you to 67 million. We buy the two parcels, you're still around excess of 40 million. Plenty of some kind of account you might want for maintenance. There's no reason to stop now and not acquire those two parcels. We shouldn't stop the current acquisition process. The two parcels we're trying to get now, Pima and Dynamite, that was always to be a major trailhead. There are people parked there every weekend trying to get there. That's at major entry point and it will alleviate the problems we get at Brown's Ranch now from over use. Maintenance costs, that is the lowest thing the city will ever have to do. The buildings were designed to be very low maintenance. The maintenance costs are going to be really low. As for MSC (McDowell Sonoran Conservancy), I don't see them going away, but if they do, volunteers are not going to go away. They are out there for every park and everything else we have. It that's not going to go away at all. Study the maintenance needs of the Preserve but even the threat of moratorium has to be lifted...

Mayor Lane: Thank you, Mr. Myers. Kathy Littlefield.

[Time: 00:13:17]

Kathy Littlefield: Hi. Kathy Littlefield, 8926 East Sheena Drive in Scottsdale. I'm here to ask you not to agree to a moratorium on the purchase of land. The voters approved the increase in tax solely for the

general purpose of acquiring land and interest in land and constructing improvements thereto for the McDowell Sonoran Preserve and paying related costs and fees. Just for the land and the trailhead. Seven questions on five different ballots promised this. The city cannot even use this money for maintenance of the trailhead. Try to change the terms of a special election ballot after the residents have voted on it is a betrayal of their trust. How could you expect voters to say yes to anything you proposed on a ballot. In Scottsdale we are blessed with numerous volunteers who help care for many aspects in our city. Many donate time to the Preserve by building and patrolling trails, guiding hikes, educating public and helping conduct research. The volunteers have proven ability to maintain and preserve, saving the city countless tax dollars. To suggest they will not be able to carry out the tasks in the future is an insult to them. Do not doubt that we can continue to trust in their dedication and devotion to the land they love so dearly. We can. There is not a problem here. Don't try to fix it. Make good faith bids on the land you promised the voters you would try to acquire.

ITEM 1 – PRESERVE STATUS UPDATE

[Time: 00:15:58]

Mayor Lane: Thank you. That completes the public testimony on this item. I will say before Mr. Ekblaw gets started, this is more or less an exploratory session to find out where we are with regard to resources, obligation and with regard to the Preserve. I think the choice of the word moratorium was just to get a good crowd here. It's not a matter of moratorium, it's a matter of doing what we have, our responsibility as a community and Council, to determine the largest endeavor the city has ever undertaken is very close to being completed and it has been a magnificent task and journey through the years. We should probably all look at this and think about it that there has been much done, a real dedication to getting to where we are today and have done it in great and efficient style and accomplished a great deal in some challenging times.

During the last five years, have saved in the way we have operated the entire project but beyond that, just \$86 million of extended purchasing power through the use of the growing smarter grant funds. It's been a great, it's great effort, not quite complete. We owe it to you that we make sure to look at how it comes together and what are our best proposals as we get near to the completion of the Preserve as it is. Kroy, our resident expert on the area, will be giving us some, he will demonstrate where we are with regard to our resources, what our remaining lands are out there to be purchased. There is no right at this very moment as we live and breathe, there is no auction scheduled, no acquisition in mind. There is no auction we have to consider immediately but at the same time there are some we have considered a year or so ago and maybe you can correct me on that as far as the timing is concerned. We will be looking at that. With all that being said, I want to say that this Council in its entirety really is invested in the Preserve and doing it the best possible job we can to make sure that it's accomplished as the citizens asked to have done in the ballot language in the six individual votes on it. So, that's what we're here to do. Frankly, ultimately we'll end up with some guidance to staff as to the direction to be taken moving forward. With that, and if that word does come up, I hope I don't eat my words on this but I don't expect that word to come up. Kroy, if you would, please, go ahead with your presentation.

[Time: 00:19:45]

Preserve Director Kroy Ekblaw: Thank you. I'm Kroy Ekblaw. This presentation was from direction of

the Council approximately a month ago at the strategic planning workshop. We wanted to really give you that status update that you were looking for and so we'll be talking about the Preserve taxes, improvements that are ongoing and planned in the Preserve. We'll be talking a little bit about land acquisition and maintenance and operation costs and looking at the next steps with potential State Land Department for trust lands. There will be a future discussion in greater detail on that. I did want to point out this is a result of a great deal of work from staff and the Conservancy and Preserve Commission. We have Lee from the City Treasurer, and the chair and vice chair of the board and we also have Jim Heitel, chair of the Commission in case there are any questions with certain specifics of what we're going to walk through here.

We'll start with a little update on taxes. The 1995 tax was for land acquisition only. 2004 includes acquisition and improvements. Neither tax would allow for maintenance or operational costs. Other uses would require voters to approve an amendment. Revenues and expenditures through December of 2013. The tax collections up to that point have been roughly \$420 million. And then other investment income etc. bringing the total cash up to the December of just over \$950 million. Expenditures through that same time period had included about \$21 million in improvement costs for trails and trailheads in particular, land acquisition costs of over \$600 million and debt service, principal and interest paid from taxes under \$300 million. We're going to look at projections. This would be from January of 2014 into 2034, expiration of the second tax. We're using for an assumed rate of tax growth, 3.1% average growth per year until both taxes sunset in 2025 and 2034. The estimated tax collections would be \$652 million, investment estimated income would be approximately \$7 million and debt payments on existing bonds, the principal and interest would be roughly \$550 million. We would project a total of unspent cash \$131 million. Those don't add up to 131 million because there's additional cash we have that is factored into that. That's where the 131 as our baseline comes from. We're going to walk through projected expenditures. That includes improvements. Those are going to come from our approved trail access master plan and trail master plan. That's projected at 28 million. We built that into the cash flow. Then we have identified after taking \$28 million out from that projected unspent cash, that 103 million remaining. And we could go and issue a bond against that \$103 million projected in cash of roughly \$66 million in 2015. That 66 million in projected bond and that 28 million in improvements and that's what we're projecting as a \$94 million expenditure. This is an example of what we're looking at. If the rate of tax growth were not as great, it were a percent less, that projected \$94 million would be closer to \$70 million. Conversely, if the tax increases were greater at 4.1% average over that time period, we would have up to \$122 million. This is only intended to show you the example of range and the dynamic that can occur within this. For purposes of tonight, we're going to use the 66 million bond and \$28 million in improvements. I'm going to walk you through that, that's the \$94 million we are referring to.

[Time: 00:25:12]

Mayor Lane: Excuse me. Could we go back to that slide one more time? On the \$66 million, and the \$103 million of cash available through the time frame, we know we have been experiencing and for a lot of reasons extremely low interest rates and have been able to bond at low rates. What's the assumption for the \$66 million?

Kroy Ekblaw: I'm going to ask Lee to speak to the assumption on the interest rate.

Finance Director Lee Guillory: That is based on the most recent bond issuance we did within the last

couple months, and 20 basis points because it's assumed we won't be issuing for another year. It's based on current market rates and 20 basis points.

Mayor Lane: That's just an add for anticipated interest rate increases over the next year?

Lee Guillory: That is correct.

Mayor Lane: Just for one year's potential.

Lee Guillory: That is correct. 3 percent range, lower percent range on average life of the bond. If we were to issue another bond it would have to mature in 2034, since that's the maturity of the last tax.

Mayor Lane: Does it take then that to 4, approximately?

Lee Guillory: No, the most recent rate we issued was around the 3.2%, adding 20 basis would take it to about 3.4% average.

Mayor Lane: That's the interest rates with the credit rating and bond rating that we have?

Lee Guillory: That's correct.

Mayor Lane: The reason I want to bring it up, the average growth might change that number but any kind of dramatic change in the interest rate that's going for one year would have some potentially substantial amount of change to what that 103 million would actually buy us. If that 66 is on the basis of the 3.4 rate, if we're talking about percentage rates rather than additional basis points, that's how that is calculated. If there were a significant increase in the interest rates as some expect, that might be, the bonding capability of the 103 million quite a bit?

Lee Guillory: Mayor Lane, the size of the bond \$66 million would have to be reduced for borrowing increase. Currently that is the projection from our outside advisors as to what the rates will be in one year.

Mayor Lane: If your growth rate were to increase, generally your interest rates used to increase as well correspondingly.

Lee Guillory: That is also correct.

Mayor Lane: Thank you.

[Time: 00:28:48]

Kroy Ekblaw: Moving forward, projected improvements, some are ongoing or will occur in the next couple of years. The first grouping at the south, Lost Dog, Sunrise and Ringtail trailheads, some are looking at expansion or parking or surfaces that will eliminate dust problems and the like. Those are projected and pretty much true of most of these projections, these costs we were very conservative. We put them up high. We did not want to come in with a low estimate. There is potential we wanted to

have that conservative basis. We're not looking to spend that much just because we had the number down. We have the Gateway and 104th and Bell trailheads, expansions or upgrades to parking surfaces that are identified in those areas. In our southern and central areas which is really the McDowell Mountain portion of the Preserve, we still have some additional trails to build and we also when we started had some trails that we kept old jeep trails or other types of things. Some are showing some extensive erosion and wear and are not located or designed in the best spot so we may look at relocation of certain trails over time. Not a guarantee we would do all that but we did identify approximately a million dollars in that area. The north area, all of those red lines that are up there are trails yet to be improved and we have identified approximately \$2 million over the next three years for improvements of trails. We have identified boundary control improvements at a million dollars. This number could be quite high and may come down. But we did want to put in if we have difficulty with maintaining some of our perimeters, much of it is two strand or three-strand wire fencing. We have in certain areas put in pipe rail fencing. This grouping of improvements is roughly \$6 million and when we go back to the \$94 million projection, we would subtract and put us at the 88 million dollar mark.

The next group of improvements identify two of the newest trailheads that are nothing but parking. No rest room, water or other improvements. We have both of these projected for rest rooms and improvement of parking surfaces. Again, I will sound a bit like a broken record. The 2 million could be a high number for each of those, but sometimes we get surprises, utilities or other things and we did not want to come in with a low number at this point. The additional point on this and we'll talk more about this location as the Pima and Dynamite trailhead, if there were to be successful acquisition, that would lead to the trailhead already mentioned by a couple citizens and we have identified up to \$5 million for that improvement.

[Time: 00:32:40]

Mayor Lane: Excuse me one second. Vice Mayor Korte.

Vice Mayor Korte: Thank you. When we talk about improvement at Granite Mountain as far as rest rooms, is there another trailhead comparable?

Kroy Ekblaw: They are both in the major range of trailheads, minor to major. We're not talking anything as elaborate, we may keep it much more simple, a shaded ramada area, some have Amphitheaters. Both of them already have basic paving, gravel paving. We have tried to be cost effective and we'll be doing more master planning and get better cost estimates over the next year.

Vice Mayor Korte: Thank you, Mayor.

[Time: 00:33:46]

Mayor Lane: I'm presuming this is 18-19 projected fiscal year. Are they part of, it doesn't seem the way you are demonstrating they are not, you continue to take them off the \$94 million figure, what makes up the \$28 million of projected future improvements?

Kroy Ekblaw: These are the \$28 million. When I'm done, a couple more slides, we'll have \$28 million. That will bring us back to the \$66 million for potential land acquisition.

Mayor Lane: So the 94 less the 28?

Kroy Ekblaw: Right.

Mayor Lane: I'll have to study how this totals down. I'll wait for that explanation.

Kroy Ekblaw: This group adds up to \$9 million. When we remove the 9 million from the previous 88 that puts us at \$79 million remaining. The next grouping is the Tom's Thumb trailhead and Brown's Ranch. These projected at \$500,000. They're parking improvements. We build enough to get it started and expect a few years growth. Brown's Ranch could be impacted by the Pima-Dynamite, if we were not successful acquiring that land.

We have seen a strong response to that trailhead in its first year. So there is some flexibility. We may not need to spend some of these dollars at all. Depending on what happens, we may need to expand. Our next area is two trailheads that don't exist on our master plan. These are trailheads in the northern area that the commission and community we want to look at the potential. This is not to say that they will occur, but we did allocate \$4 million for these two trailheads. We don't expect them to be majors, we expect them to be more minor in nature but they provide back to the idea of dispersing our trailhead so we don't have one single trailhead being overloaded and parking problems and impacts on neighborhoods. We look to disperse the trailheads. We allocated \$4 million.

Again, this is a strong potential we may not need to spend these dollars or maybe not that much depending upon what the actual future planning comes up with in those areas. The other thing we did is we identified for the remaining years of the 2034 sales tax is a \$500,000 future yearly improvements. That could be unforeseen parking improvements, new trail. We did want to allocate that as a potential so it serves as a bit of a buffer in a number of different ways for us. That alone at \$8 million plus 4 is 12 million, when subtracted from that previous 78 million brings us to the \$66 million target. All of those improvements add up to the \$28 million and thus we end up at the \$66 million. Those are improvements we have identified for the future.

[Time: 00:37:38]

We will now move into the land acquisition. What we have identified the discussion of parcel 1, 290 acres, Pima and Dynamite, 1A, 115 acres, and two or three remaining private parcels, we'll come back in the next month or two for greater discussion that are surrounded by the Preserve that we think are worthy of evaluating for acquisition. We have identified all three of those different areas and we have come up with an example expenditure of what it might be. Not to say that these three will absolutely cost us \$37 million. They could cost more, they might cost less. But we wanted to be able to put this example before you that almost 400 acres of land could come in at say, \$37 million. You subtract that 37 from the 66 and it leaves the 29 million. This was intended as example. We establish ranges and work on that and we come up with those more detail as we get further into it and we would expect to know more over the course of the next year. We can refine these numbers and projections. That \$29 million remaining then, the question was asked what else would we have beyond that. What would be remaining in this graphic are the lands in blue, making assumption we were successful with parcel 1 and 1-A. What I would feel comfortable in saying, if one wanted to acquire all those lands, the number

would be in the range that's on there. So that gives you a general sense of the lands beyond what we're talking about with parcel 1, 1-A and a couple of private properties that are out there.

[Time: 00:40:16]

From 2009 we went from 15,000 acres to over 30,000. That's doubling the size of the Preserve. Noted we have been building trails. We expect by the end of 2018 we will have almost tripled the miles of trail from 60 to 210 miles. Looking at how we manage that, certainly we start with the City Council as being responsible for all decisions. You have all land acquisition and expenditure approvals as well as the adoption and approval of rules, regulations. You get recommendations from your McDowell Sonoran Preserve Commission. They represent broad community interest group involvement, they advise you on all matters related to the Preserve, plans, policies, etc. The Conservancy is our primary partner and we established an agreement with them in 2009 and it was amended in 2011, based upon evolution and expectations. They provide Preserve volunteers, stewardship, education as well as advocacy, a couple years ago helped us with protecting Growing Smarter dollars at the state legislature.

The volunteers work in a whole range of things. There was a report in your packet from Mike that identified some of the specifics of patrolling trails and trailheads and pathfinders who serve at trailheads and our field institute, the research, citizen scientist work that is going on that will help us with management in years to come. The Conservancy has doubled the number of volunteers they train each year. They have more than doubled the total volunteers that support the Preserve and seen a 40% increase in hours in just the last couple of years in support of this. Specific to trails, the patrol hours have more, almost doubled in providing that, the growth of the trails they have been responding to us as part of our strategy. Every year we review with them the needs on an ongoing basis every month where things are needed. They gain efficiencies how they do things. In some cases the hours go down because we get smarter and more efficient in the way that we work together. We have the Preserve staff, work on the land acquisition and prepare the plans and policies, resource management plan. The trails, trailhead, fencing, management of construction and maintenance are all provided by Preserve staff.

[Time: 00:43:23]

Of course, with the support of our volunteers throughout we have in the last couple of years doubled our city staff from three to six. And the cost of that, the direct cost of staff including contractual services and commodities is just under \$450,000. Include utilities, custodial, administrative support and overhead, that total comes up to just about \$700. Additional costs, fire department, technical rescue team, in response to rescues in the Preserve, just under \$50,000 in 2013. Additionally, total hours from the MSC, just under 40,000 hours. The value and equivalent positions are not to say that we would have to match that if they weren't there. We did want to provide it in context and have some sense of what that would be.

As we look at future Preserve resource considerations again, we have many things that are new. And evaluating our trails or trailheads, how we look to manage those is ongoing dialogue between ourselves and the Conservancy. The agreement identifies priorities, it may be updated in the future, but it's fundamental to our relationship and the coordination that goes on. We expect those evaluations to identify new needs, old needs that maybe we won't have and will continue to refine but we would be doing and a resource management plan is going to be a key element. The ecological management of

resources to protect wildlife and habitat that will influence the future.

[Time: 00:45:44]

I'm going to focus on one, that 290 acres would link to the Preserve, enhance habitat and a key issue noted before is the plan location for a major trailhead. Going to start in the south and show you where we have trailheads surrounding the southern McDowell Mountains and also we have trailheads in the county regional park and Fountain Hills. The dispersal of trails around so we don't overload a single trail or single trailhead or neighborhood. These are the three trailheads that exist in the north. We are looking at two others not on the master plan at this point. May not be necessary but we will evaluate those. What's missing is the western edge along Pima Road. That's the key point about the Pima-Dynamite parcel. It's a key element to a significant number of miles of trail and also a very strong mountain biking interest in that area. That's a key aspect of the Preserve Commission's recommendation for pursuit of that parcel. We have the 1A parcel, western embankment of Rawhide Wash. Would provide buffering of potential future development if we did not acquire the lands in blue. Our interest is in those parcels. The State Land Department has interest in rezoning those lands, that's consistent with the original classification request. Commissioner's order, in August 2001, City of Scottsdale would work with the state to justify the reclassified lands many of which we have acquired. At this point we don't have a final decision from the State Land Department. We are meeting with them this week. We may be back on June 10 to have a more detailed discussion about that. The Preserve Commission had this presentation. Number one, continue with pursuit of parcels 1, 1A and remaining private properties.

[Time: 00:48:02]

The commission would continue to monitor and evaluate the dynamics of numbers, revenue projections, expenditures, and they ask to include this language not in your original PowerPoint, including future improvement projections because some of those we may not need and those could affect the total numbers. As the land acquisition costs are finalized over the next 12 years, with the caveat that further land acquisition strategies, the commission would evaluate likely remaining funds and use of extra dollars not needed for land or improvements, could be a range of different things and that within the next year they would report back to the Council on that range of options. That's the recommendations of your Commission and we are happy to answer any questions and provide any direction that you may have.

[Time: 00:49:04]

Mayor Lane: Thank you very much. I do have a continuing question and there will be others I'm sure. Do you have the same reference that I have in slide 9? What that would be is somewhat of a reconciliation of the total available dollars. That's it. This goes to my question earlier. If I'm found to be amiss here, I apologize. I want to make sure that I'm clear on this. If I take this from the top, the estimated future tax collections assumed average growth of 3.1%, interest income, you add that together. Come up with the 659. Less the debt payments on existing bonds already out there at 550, that leaves projected available unspent cash balance through that period of time of 131 million. That's a critical number for me. As I go to the next sub category, projected expenditures for improvements and land acquisition and future improvements paid from 2004, to distinguish it from that fund of money, 28

million, if I take 28 million from the 131 I end up with 103. I guess I don't know, when I was talking about this before I thought that the 66 million was based upon available cash over that time frame of 103 million to support \$66 million worth of bonding. I guess what I'm wondering about, if I take 28 and 103 I've got the 131. What am I doing with the 94?

Kroy Ekblaw: 28 and 66 give you the 94. If we were to issue a bond for land acquisition, say within the next year we could only issue a bond for \$66 million, not for 103. We were using that limit of 66 as really the total. You add the 66 to the 28 and that gives you the \$94 million. And for the purpose of the example, again there's a number of dynamics that can affect that, that's why we use the 94 for the projection.

Mayor Lane: I guess I'm missing that one. I'm thinking you're going to have through the period of time, let's say it's 20 years, I know there's variations, mostly 20 years on those due to expire in 2035. We have 103 million of debt service capability over that period of time. That's relating directly to the projected unspent cash through the same period of time, less the 28 set aside for improvements, gives me 103 million. If I bond 66 million, I spend that, I still have to have that 103 million coming through that period of time. 28 million for improvements, 103 is available to support that 66 million of bonds. Maybe somebody in finance could tell me the logic behind that.

Kroy Ekblaw: I'll let Lee.

Lee Guillory: Mayor Lane and Council, so the way this sheet works is yes, we project, we have \$131 million available over the remainder life of the two taxes after paying the existing debt service that's required. 28 million committed to improvements, that leaves \$103 million which you could issue a bond for \$66 million, requiring \$37 million in interest payments that would use the full 103 million. The alternative is not to issue a bond, you would have \$103 million over the next however years out to 2034, 3 to 4 million every year excess.

[Time: 00:53:37]

Mayor Lane: I hear you but it still doesn't explain. We're going to bond for these kind of purchases in any case.

Lee Guillory: If we were to bond for it, you could issue a bond for 66 million, you would pay that back plus the 37 million in interest and that would take the full.

Mayor Lane: Are you suggesting we're not going to bond?

Kroy Ekblaw: This example proposes we're going to bond. What we didn't put on there is the difference in the interest payments.

Mayor Lane: I understand that you need 103 million worth of debt service, interest and principal to pay. I got that. What I don't understand if you use one, the \$28 million for the generation of cash, not bonding but just cash for improvements, you end up with \$103 million which will support \$66 million of bonding capacity. I'm obviously barking up a bad tree here because I'm not making the connection. There is something about the way this thing comes down that I can't see it. I seem abundantly clear to

me, 28 million for improvements, setting aside \$103 million to support the potential for \$66 million of bond.

Lee Guillory: That is correct.

Mayor Lane: I'm getting all kinds of nods of heads. Mr. Behring do you have some clarification. He doesn't want to back up that nod of the head.

Lee Guillory: \$28 million spent in cash for improvements. You would be able to issue a bond for 66 million, pay it back and 37 million in interest, and that would use up the remainder.

Mayor Lane: Why do we take the \$28 million for improvements away from the 94?

Kroy Ekblaw: I was showing that in relationship, so that you could see where those come from. You don't have to do it that way.

Mayor Lane: Okay.

[Time: 00:55:55]

Kroy Ekblaw: You can take it away from the 103 and understand that is committed to land. You can spend it, 3, 4, 5 million a year over the life of the tax or we can bond for it and then we'll have the repayment that would come out of that period of time. We just wanted to get to that 66 to know that if we wanted to go buy land in this next year, we can't buy \$103 million worth of land, we can buy 66 million.

Mayor Lane: I understand. Okay, thank you. We do have some other questions. Councilmember Littlefield.

Councilman Littlefield: You were suggesting rather than bond, we could pay cash for them, correct?

Lee Guillory: You could do that, you would have to buy small parcels every year if you don't bond for it. It would be like using pay-go money.

Councilman Littlefield: You wouldn't have interest costs.

Lee Guillory: That is correct.

Councilman Littlefield: I do have a question for Heitel, the Commission Chairman, I would like to know if what Kroy put up there about the acquisition strategy, if you have anything to add to that or if that squares with your perception of what the commission recommended.

McDowell Sonoran Preserve Commission Chair James Heitel: Thank you, Mayor Lane and Vice Mayor Korte, Councilman Littlefield. I think what needs to be, what is inherently clear to us because we in the Preserve Commission have talked about it a lot, we don't want to leave you with the impression that parcel 1 and 1A is our end goal there. Parcel 1 and 1A are the first of the non-classified lands that we're

recommending when they hopefully become available to you. Our priorities that we provided to you at the end basically address what we consider our priorities in the community, the community's priorities, acquisition of 1 and 1A and consideration of all these other issues, consideration of future land acquisitions in the unclassified areas, consideration of some of the operation maintenance issues. Of course, those have to go to the voters, you know, and that would be part of our consideration and deliberation, as Kroy indicated earlier, on the actual desirability of that list of potential improvements. You know, we think there's probably as Kroy indicated that's probably a high number. That 28 million may end up being a lot less than that. So part of that strategy is we, I certainly and I think all of us all share the concerns of the community concerns that were expressed earlier by the Council that operation maintenance, long-term sustainability, if you will, are extremely important to all of us and it's an important part of our future planning, if you will. To get to that point because those are prohibited uses, we need support from the citizens. We are going to need to go to the voters and say this is our recommendation for this long-term sustainability. To do that, we're going to need their trust. Their trust is their expectation that we are doing everything we can possibly do to acquire the most lands that we can possibly acquire with the funds that have been provided. I hope that answers the question a little bit.

Councilman Littlefield: Thank you. That's what I wanted to know.

James Heitel: Thank you. Any other questions?

Councilman Littlefield: I know we're not voting tonight but I don't believe that calling a moratorium on Preserve acquisitions is a good idea. If you're looking for direction.

[Time: 01:00:20]

Mayor Lane: Thank you. Councilman Phillips.

Councilmember Phillips: Thank you. We don't have to subtract that \$28 million, it's better to get the land first and then worry about the trails. In the future, it doesn't mean that when these two expire in 2025 and 2034 that that's the end game. We can always go back to the voters like Mr. Heitel said, okay, we purchased the land. Now we need to do the trails, will you help us, get a new trail acquisition bond? Something like that. It's not the end game. As long as the voters trust us, they'll continue to work with us. We don't need a moratorium and the first priority should be the land purchase.

Mayor Lane: Thank you. Vice Mayor Korte.

Vice Mayor Korte: Thank you, Mayor. Thank you, Kroy. I think the presentation was really good. And I believe it really highlights what we're looking at in the future as far as limited funds for the rest of the recommended study boundary parcels. We know we don't have enough money for that. But since I was the one that made the motion about a month ago regarding a look at this, I would like to offer a public apology for using the M-word. It really wasn't appropriate use or term. Never my intent to stop acquisitions. It never was my intent to violate voters' trust nor do I have any hidden agenda to divert funds for any other uses.

I believe what the Preserve Commission has recommended from the May 1st commission meeting to continue pursuit of parcel 1 and 1A is a solid use of funds and their additional points of 2 and 3 to

monitor and evaluate projections for revenues and finalize over the next 12 months further acquisition strategies and to come back to the Council with some type of plan after these acquisitions are made, 1 and 1A. So I don't know, there's no time frame in here but maybe in 2015, I don't know what time frame the commission is going to need, but I think this is a very solid recommendation and I would support that.

[Time: 01:03:24]

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

Councilman Robbins: You mentioned this in your presentation, we talked about this at our Strategic Planning Meeting a month ago, the City Council, this body made priorities parcel 1 and 1A back in September 24th of 2013 we passed a city ordinance already, a resolution saying that's what we wanted to go after. It's been long held that's what the commission wanted and the Council has been aiming for. I would be in favor of looking at what do we do next and getting the commission ideas about that. Thank you.

[Time: 01:04:16]

Mayor Lane: Thank you. I do think that the Preserve Commission confirmation of priorities and the continued pursuit of 1 and 1A certainly I think is an appropriate way to go but also follow along with what they have outlined in the last slide. You know, I would say that this is a very good exercise. Number one, I want to congratulate you for a very good presentation, with the exception of this one slide. No, but I do want to thank you for going through that a little bit with me. Nevertheless, I'm comfortable now. The important point is that this isn't a matter of anything other than, and really, frankly, the closeout as we look for it. End game or not, there may be other things considered, but right now we are working with what we have in the way of resources and obligation or the commitment. So we're trying to make sure that is appropriately as we possibly can. Some consideration if we work with this, if we came to the 29 million, whether we match it with another purchase or whether it go to improvements or I should say continuing, I dare not use the word maintenance, but if we were to think in those terms it would be something we would have to go to the public to decide whether to follow that route or not. I think what's outlined in the way of timeframe, every six months getting a report would be a good thing. There are probably some volatile issues that will change the equation. And other recommendation, as land acquisition is finalized, we take a look at the long term operation and maintenance costs and some of the things we discussed here. I don't know that there's any further comment. If that seems to be the consensus, that would be the guidance we would want to give you at this point in time. Unless there's any other thought on it. Thank you again for the presentation and everybody's input. It's valued and we do appreciate it. That completes our study session on the subject.

ADJOURNMENT

[Time: 01:06:44]

And unless there's some other comment, that we haven't considered, I would accept a motion to adjourn. Move to adjourn. Second.

Mayor Lane: We are adjourned. Thank you all again.