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CALL TO ORDER

[Time: 00:00:02]

Mayor Lane: Good afternoon. I would like to call to order the April 14th, 2015 City Council meeting. We'll start with a roll call, please.

ROLL CALL

[Time: 00:00:08]

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

City Clerk Carolyn Jagger: Vice Mayor Linda Milhaven.

Vice Mayor Milhaven: Here.

City Clerk Carolyn Jagger: Councilmember Suzanne Klapp.

Councilwoman Klapp: Here.

City Clerk Carolyn Jagger: Virginia Korte.

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Councilmember Korte: Here.

City Clerk Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

City Clerk Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

City Clerk Carolyn Jagger: David Smith.

Councilman Smith: Present.

City Clerk Carolyn Jagger: City Manager Fritz Behring.

City Manager Fritz Behring: Here.

City Clerk Carolyn Jagger: City Attorney Bruce Washburn.

City Attorney Bruce Washburn: Here.

City Clerk Carolyn Jagger: City Treasurer Jeff Nichols.

City Treasurer Jeff Nichols: Here.

City Clerk Carolyn Jagger: City Auditor Sharron Walker.

City Auditor Sharron Walker: Here.

City Clerk Carolyn Jagger: And the Clerk is present.

[Time: 00:00:32]

Mayor Lane: Thank you. Just a couple items of business. We do have cards if you would like to speak on any of the items on the agenda or for public comment. Those are the white cards the city clerk is holding up over her head now to my right. We also have cards if you would like to give us some written comments on any of the agenda items. That's the yellow card she is holding up now. Those are cards we will read through the course of the proceedings. This afternoon we have Scottsdale police officer Tom Cleary and Jason Glenn right directly in front of me this evening if you have need for their assistance on anything. The areas behind the council dais are reserved for council and staff and we have facilities for your convenience over here under that exit sign over here to my left.

PLEDGE OF ALLEGIANCE

[Time: 00:01:37]

Mayor Lane: Today we're honored to have the Girl Scout Daisy Troop 724, and their leader Andrea Parson, are here to lead us in the pledge. Ladies, if you could come up to the microphone. And if you could stand, if you can, please. Ladies, whenever you're ready.

Girl Scout Daisy Troop 724: 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. You're already on the script. So turn that microphone around if you would. Please introduce yourself and let us know where you go to school and what your favorite subject is.

Lana: My name is Lana. My school is Pima. My favorite subject is movies.

Melody: My name is Melody. My school is Pima. My favorite subject movies, too.

Emma: I am Emma. I go to Pima Elementary. And my favorite subject is my teacher.

Kaitlin: My name is Kaitlin, and I go to Pima Elementary, and my favorite subject is my teacher.

Jasmine: My name is Jasmine. I go to Pima Elementary. My favorite school subject is math.

Lauren: My name is Lauren. I go to Pima Elementary school. My favorite subject is art and monkey bars.

Mayor Lane: Very good. Thank you, ladies! Okay. We won't have that song and dance I was talking about. But thank you very much for being here and you can go ahead and have a seat.

INVOCATION

[Time: 00:03:56]

Mayor Lane: For the invocation this evening we have now welcome Reverend Dr. Cathy Clardy Patterson from Fountain of Life Church to provide an invocation.

Reverend Dr. Cathy Clardy Patterson: Let us bow our heads. Dear Father God we come thanking you first for such a spectacular day. We pause right now to lift up the members of this City Council. We ask that this evening they use all of the gifts that you have imbued them with as they consider the topics before them. We ask that you grant them wisdom and discernment, and we ask that as people come and present their position passionately, that grace prevail this evening, as we work together to better the lives of every citizen in our community. We ask all these things in your name, and the redeemed

people of God said, amen.

Mayor Lane: Amen. Thank you Reverend.

MAYOR'S REPORT

[Time: 00:05:13]

Mayor Lane: I would like to note that this week is National Volunteer Week, and in honor of national volunteer week, I have issued a proclamation designating this week as Volunteer Week in Scottsdale. I would like to express my sincere gratitude for all the thousands, 4,000 I might say here in Scottsdale, volunteers that serve our city and have dedicated over 200,000 hours to the betterment of life here in our city. I encourage all of you to get involved in one of the many volunteer opportunities that we do have here in the City of Scottsdale and throughout Scottsdale.

PRESENTATIONS

[Time: 00:07:25]

Mayor Lane: Presentation, we have this afternoon is a proclamation and I'm going to go ahead and read it first. There will be some comments by some folks that would like to speak toward this. I'll present it to Sergeant Kerry, who I believe is here.

The proclamation is this: whereas the City of Scottsdale shares a critical concern for victims of sexual violence and a desire to support their needs for justice and healing; and whereas according to the bureau of justice statistics only 36% of rapes, 34% of attempted rapes, and 26% of sexual assaults were reported between 1992 and 2000; whereas statistic now show offenders attack an average of six times, one failed response can equal five more victims.

75% of the time they target acquaintances and 77% of the time the rapes are committed using drugs or alcohol as a tactic; whereas research has shown that two of the primary reasons that victims of sexual assault do not report the crime are embarrassment and the stigma associated with the crime and the fear of not being believed and being blamed for the attack; whereas research documents that victims are far more likely to disclose their sexual assault to a friend or family member, and when these loved ones respond with doubt, shame or blame, victims suffer additional negative effects on their physical and psychological well-being; whereas, start by believing awareness campaign, a program of end violence against women international, is designed time prove the response of friends, family members and community professionals so they can help victims access supportive resources and engage the criminal justice system.

Whereas local governments around the state are adopting the start by believing campaign the City of Scottsdale proudly joins in this simple message of support for survivors of sexual assault.

I Jim Lane, the Mayor of City of Scottsdale Arizona, in Scots concert with the Scottsdale police department, proclaim April to be start by believing month and encourage all our citizens to join in with their support. I would like to make this presentation to Sergeant Kerry, Kim Hedrick, are you here as well? If you would like to come forward, please.

START BY BELIEVING/SEXUAL ASSAULT AWARENESS

[Time: 00:09:02]

Kim Hedrick: Good evening, everyone. My name is Kim Hedrick. I'm very honored to be here tonight while the City of Scottsdale and the Scottsdale police department make the proclamation for April to start by believing month. Start by believing is a public awareness campaign designed to change the way we respond to rape and sexual assault in our communities. The goal of the start by believing campaign is to change the world and outcomes for victims, one response at a time.

In November 2009 I was a victim of a serial rapist. Unfortunately, I encountered somebody who did not believe me. I stand here today as a survivor because thankfully I also encountered people who did believe me. I'm especially thankful for forensic nurse examiner Erin at Banner and the Scottsdale police department. When I say they saved my life I truly mean that. People often ask me why I speak about my experience, wouldn't I rather just forget about it. To be honest, I am terrified every time I speak about being raped, but I have to make sense for what happened to me and I have to make something good come from something that was so evil. I know in my heart to encourage even one person to believe in themselves, to trust their gut, to share their story, to change their views or simply to have the courage to make it through another day, I'm going to have to share my story.

It's time for victims to stop feeling humiliated. It's time for our community to start a cultural revolution of starting by believing. And it's time for each much us to make a difference. So much of us have misconceptions about sexual assault and find it too embarrassing or shameful to talk about. If it makes you uncomfortable, imagine how humiliated and ashamed a victim feels.

Mayor Lane shared with you some statistics that I find shocking every time I hear them and I hope that you do, too. I wanted to take a minute to talk about those along with some others, what they mean to you, and what they mean to the people that you love. Every 107 seconds someone is sexually assaulted in America. At least one in six women and one in 33 men will experience sexual violence in their lifetime. What this means to you is that you know somebody who has been or will be sexually assaulted.

Researchers have shown two primary reasons the victims do not report their crime to law enforcement are that they're embarrassed -- are the embarrassment and stigma associated with the assault and fear of not being believed. What this means to you is change must start with you. Change how you view sexual assault and change how you respond to hearing about sexual assault. Rapists attack on average six times. I think this is a really important number to focus on because one failed response from anyone, whether that be a friend, a family member, a healthcare provider, a school official, law enforcement, anyone can stop a victim from moving forward, leaving the rapist free to continue to create more victims.

Not believing is a culture that we have created. Our society has become numb to actual victims, and have you ever thought to yourselves, "is that person really a victim?" All the while for that person it is

most likely the worst day of their life. The way you respond will have a lifelong impact on that person. Each of us has a choice to respond the next time they hear somebody has been sexually assaulted, and what I'm asking you to do is take a step back, change your mindset, and simply start by believing.

I would like to extend my gratitude to Mayor Lane, Scottsdale Police Chief Rodbell for proclaiming April to be start by believing month in Scottsdale. I'm also so thankful for dedicated professionals at the Scottsdale police department, especially detective Brooks Bridgefield, Kerry Kandler, along with friends and nurses for leading way to spread the message of start by believing here in our community.

To victims you can survive. I know it's suffocating, overwhelming, and seemingly impossible at times, but you can. And if one person doesn't believe you, tell someone else. Until you find someone who does. To the rest of society, isn't it part of our jobs as human beings to support and inspire others? There's power in being kind and compassionate and having empathy. So don't fail to realize your power. I challenge each of you today to do better and to make your commitment to the next time someone tells you they were raped or sexually assaulted that you will start by believing, because, remember, it only takes one person. You can make a difference, and you can change the world of that person. Thank you.

TRANSPORTATION COMMISSION UPDATE

[Time: 00:14:45]

Mayor Lane: Thank you very much, Kim. Our next item for presentation, some additional information updates, is from our Transportation Commission Chairman Steven Olmsted.
Mr. Olmsted.

Transportation Commission Chair Steven Olmsted: Thank you for your courage, Kim. That was fantastic. Mayor Lane, Councilmembers, guests, my name is Steven Olmsted. I currently serve as the chair of the Scottsdale Transportation Commission and thank you for having me present on the topic tonight. You have before you a packet that kind of covers a lot of the priority areas that the Transportation Commission has been covering, in particular the last 24 months. It's a long collective list of items. I'm just going to run through and cover some of the priority areas. Am I moving that forward?

Some of the key activities, really, is where we've gotten to. That just lists out some of the processes and some of the reports and some of the areas we have covered relative to transportation within the general plan. We have the community mobility element, and it gets implemented in the transportation master plan. Currently the 2008 edition. The -- you know, the key activities that we've been up to and some of the other items you see here are what are covered in the packet, and again I'll just reiterate just a few of them for your later consideration.

Some of the key activities. How does the Transportation Commission approach its business? One of the things we've done over the last 24 months has been -- you see through the top, we kind of go through a process of introducing and synthesizing all things transportation, kind of how we do that is we

look at national trends Metro-wide and then bring them down to resident and visitor-centric. How do they apply to the city itself. A couple of key things that transpired in 2014 was a revision to the ordinance, thanks to the efforts in particular of director of transportation Paul Basha, where we looked at upgrading the ordinance and in particular the paths and trails subcommittee. You will see seven additional activities we have kind of undertaken.

We've got the -- particular focus on the new addition for the transportation master plan going forward. Here's the general universe. I'll look at streets first. For those of you that don't know, there's about 3,000 lane miles spread over 185 square miles. ADOT has about 6,000 lane miles. Of course, many of those can be multiple lanes, but that will give you an idea. Then some specific areas that the Transportation Commission has been looking at on their agenda items, and it's a myriad of things, the last two pavement overlay program and public works and right-of-way coordination -- actually the last three, and resilience and storm response also carry over into the public works area, but a lot of refocus on intersection safety, neighborhood traffic management plans, what are we doing with our existing infrastructure, how is it performing and where are there benefits to move forward. When we look after what' doing with transit, the transportation staff and the commission has been looking at improvements to the fixed route and trolley system. We have a fantastic program that continues to find enhancements because of the transportation staff's efforts on senior and regional fare transit services.

Two activities that we have been focused on most recently is the efforts to revitalize and kind of redevelop the transit and trolley system in general, and that in that incorporated in a transit improvement five-year plan. Then you'll see at the bottom that the great things we're already doing under the bike, PED and equestrian area, and this is where the expanded trails and paths subcommittee has been tasked with wider responsibilities, is on some of these things, including incorporation where appropriate, and the my Scottsdale app, which I would encourage many of you to get downloaded.

Some identification of priority areas, and again this isn't an exhaustive list of activities the commission has been going over. I'll just glaze over the topics themselves. There are four that the Transportation Commission has been spending time on, and we've identified as priority areas. One, I just mentioned relative to the transit and trolley redevelopment. You'll hear a presentation that the Transportation Commission supports and voted and in particular has heard three separate presentations on, and that concerns the day tripper trolley, downtown trolley and the development of a Camelback Road trolley.

The second priority item that we've been spending time on is revisiting the bond program. It's a big topic. There's a list there of the connectivity issues related to transportation. What we're really looking at there if we revisit a little bit more toward the bottom, we were in 2011 entering into the bond task force era. You can see the total number of projects was about 32 that were under consideration. You can see that amount of needs that was considered. And what went forward in 2013 was about 16 projects and \$109 million. And we're aware of the outcome of that particular item. So that kind of carries over into the need based on the bond side.

So we look at the capital improvement plan, and what we most recently went through this past cycle for

2015 to 2019 in November, December and the beginning of this year. So really quickly you'll see the number underlined there, the 2015-2016 CIP is at -- maybe that's not underlined. That second line item in the middle, that's \$34.2 million. That's what was forwarded for consideration to the council. What I would premise is to put that into context is the \$30 million on the next line down that is underlined and those were prospective project totals that were unaddressed. In other words, they were not included in this current five-year cycle. So we saw about 24 separate projects at 34 million. In respect. Some were more priority than others. I admit that. But put in context -- but to put it in context there was about 34 million of needs that went unaddressed. Relative to the bottom number to kind of put that annual year 2015-2016 \$34 million. In the context you will see the need for that 2011 bond review process, that wider wish list, I guess we can call it, amounted to about \$325 million. So it was just a matter of framing that.

The fourth item is really a -- it complements the redevelopment of the transit and the trolley, and that is just a long-term wider discussion for or against, in part or in whole, the entire long-term look at transit, trolley, streetcar and light rail as we might see it here in the Valley. So what are some of the entry points for discussion on that topic. I briefly bring up the Valley Metro planning map. You will see Scottsdale in the middle on the right. I think we're well aware as a unique city the Transportation Commission spends time understanding the unique needs of its residents and visitors and what we want and what we don't want. But we do encourage the wider topic of the long-term trolley and light rail discussion, even if it does exist simply possibly -- simply exist to bringing residents from the airport to any future McDowell road corridor redevelopment. But that will just put it into a little context where we're at on that and what's happening in the wider Valley topic. It seems stuck. Can you advance that for me? Thanks.

Again, some of the entry points for discussion, they're there listed for you for further consideration. We have capital improvement project we mentioned. I will commend the Mayor and the council. You have already started a dynamic and open format to develop and communicate the bond program. Obviously the commission is interested in the transportation part of that as it supports the rest of the Valley economic development and visitor efforts as well. I will say that that second bullet point down -- let me go to the next one. Sorry about that. As we really recognize the role of transportation that plays in preserving the livable neighborhoods, promoting economic vitality, responding 2221st century safety and efficiency needs and so on, but interestingly enough a lot of that specific point is a theme that exists throughout the documents that I presented on the first slide as far back as 1992, and I think it's important that we continue to revisit what it is the city wants relative to that statement, and that has become a priority item for the Transportation Commission. Really accelerating the conversation. A lot of these things have already happened. We're already here. You have invited me to speak and I very much appreciate that.

So we've already begun to reenergize that Transportation Commission, city transportation staff and City Council relationship. We are reading through the recently adopted strategic plan for economic development. It did identify transportation items in there, and I feel already that transportation staff and the commission and the council itself has already done a good job addressing some of those issues. So that's a positive. I would request and we've already undertaken that any activities relative to transportation that we really expand that to the wider discussion, including convention and hospitality,

tourism and airport, and I think that's an agenda for the Mayor and council it's been important to the commission.

You'll see a couple other items. It's important to involve the citizens. Our turnout at the commission meetings has been positive. We continue to focus, again, on that resident-centric item such as the neighborhood traffic management plan, and looking for further ways to request that the citizens come forward with anything they have a concern. Really, just in closing, how do we further encourage and define how transportation supports the safety of our residents and visitors and also complements any of the agendas that we have as a city.

That's really about it. I mean, the biggest thing that we've attempted to do over the last 24 months is to, I guess, advance a lot of the financial need. So I'll close with that particular comment in that it's just important that we really identify the cost of our all modes approach and what it would take to continue to maintain the current infrastructure that we have at its current great level that we have come to expect here. Thank you very much. Appreciate it.

Mayor Lane: Thank you, Mr. Olmsted. I appreciate the opportunity for question, but on a presentation basis we're not in that position, but I would encourage the council if they do have questions to get with chairman Olmsted and frankly even to attend a transportation meeting if there are items that you -- for further discussion or investigation of.

PUBLIC COMMENT

[Time: 00:27:42]

Mayor Lane: Next order of business we have public comment. This is reserved for citizens' comments on non-agendized items, of which there will be no official action taken. Speakers are limited to three minutes each and we have a maximum allowance of five speakers. There will be an occasion at the end of the meeting for additional public comment cards if, in fact, they're needed. At this present time we have three requests to speak, public comment. We'll start with Scott Calev.

[Time: 00:28:09]

Scott Calev: Before we start, I believe -- and thank you to the Scottsdale police department -- I've had many excellent run-ins with them. They're good guys and gals. The transportation chairman was talking today, and he left out some of the issues about the citizens and livability of Scottsdale. The "New Times" had an article recently about NextGen, the next generation of air traffic in the Metro area. As you know, the Mayor knows, David Schweikert knows, John McCain knows, that planes now come over Scottsdale literally hundreds -- hundreds of planes a day, starting last September. All of a sudden an awareness that the community was not involved, the community was not listened to. We can't do anything about it. Senator McCain won't do anything about it. Congressman Schweikert won't do anything about it. Even though Mayor Lane has talked to both, I've heard every city that has tried to take on NextGen has lost. They forgot the citizens. But does Scottsdale need to forget the citizens, Mr. Chairman of transportation? I have here a dedicated

protocol of our Scottsdale airport. We can control our airport. We can control our noise in the airport. And this little box here happens to be where I live, and my neighbor, the Mayor, lives also. We have a choice in Scottsdale of where the traffic, as I call our funnel of filth with our pollution, and our sewer of sound, with the roads getting noisier and noisier and our airport getting more out of control. If the planes were to travel A. they go into communities. If they were traveling a simple change in route of B. they'd go down Scottsdale Road and make a light turn towards the 101 down Shea. Two heavily traveled roads. Would it make a 50% change in sound to the neighborhood and even our Mayor's home. If they were to increase eight -- these aren't the jets. The jets take off and get dramatic height very quickly. These are the small planes that literally strafe the neighborhood. My wife was literally scared the other morning when a plane came in so low because we don't have a dedicated protocol.

We have a system of smoke and mirrors for complaints at our airport. I'm going to make sure with the help of this City Council, or people that want to get on the next one, that it changes.

Thank you.

[Time: 00:31:32]

Mayor Lane: Thank you. The next would be Ben Gray.

Ben Gray: Good evening, Mayor and council. My name is Ben Gray. I live at 44047 North 43rd Avenue in Anthem. I'm here as a concerned citizen on January 29th I had a client that I had to pick at 74th Street and Shea at a gated community. I did not have the gate code to get in the gate. A citizen came by, and he informed me could he help me. I told him I was there to pick up a client. On that day it was raining quite a bit. So he went ahead and went through the gate and he came back through, and he asked me again, could he help me. I told him, sir, I'm here to pick up a client for a speech. He got very agitated, and he decided he would call Scottsdale P.D. I said, go ahead and call them, sir. In the meantime I pulled across the street, and in about five minutes four patrol cars pulled up. So they're at the gate looking for me. I turned on my blinkers where they could see me across the street. Then they came across the street and they approached me, and they asked was I armed. I said, yes, I am, because I've been in corporate security for over 20 years. The one officer asked me if I could step out of the vehicle. I said, not a problem, sir. I stepped out of the vehicle. He removed the firearm from my belt and put it in the back of my suburban, which was fine. But in the meantime we were all standing there in the rain, and there were two other officers standing there, had their hands on their guns the whole time. I felt very threatened the way they approached me and the way they were standing there. If I would have made any moves I probably would have gotten shot. I'm here not to complain because I have been in law enforcement, too, but you guys do have some sensitivity issues with some of your officers.

That's why I'm here. I wasn't going to say anything but I felt I need to say something.

I know law enforcement is a great job here in Scottsdale, but I felt compelled to come in here and tell you what my encounters were, and I was very, very, very threatened that night with the way they approached me. Thank you very much, council.

[Time: 00:34:27]

Mayor Lane: Thank you, Mr. Gray. Appreciate it. Next would be Brion Neely. I think I may have that right. I hope. If not, please correct me.

Brion Neely: Good evening, Mayor and councilmembers. My name is Brion Neely, 4525 North 66th Street in Scottsdale. At your March 31st work study session the topic of a possible nondiscrimination ordinance for the gay, lesbian and transgender community was brought up. You were given three options. You could open this topic for a public comment. You could direct staff to draft an ordinance. Or you could do nothing. The decision that night was to do nothing. I would like to take moment to thank Councilmember Korte and Vice Mayor Milhaven for their support of the ordinance that evening and I am here to urge the council to take a further step towards the nondiscrimination ordinance and open this discussion to public input. That evening I heard two arguments against an ordinance. The first argument was that we didn't want to create a punishment. A nondiscrimination ordinance is -- is most effective as a protection, it does not exist to be a punishment. It's a deterrent against discrimination. This is reflected in the low numbers of violations reported in cities that have a nondiscrimination ordinance. Because of the deterrent -- it's because of the deterrent, not because the law isn't necessary. If your worry is in the punishment, then you're acknowledging discrimination does exist and someone is going to be punished as a result. I heard repeatedly from the council that night that they universally condemned any discrimination against the gay and transgender discrimination but you don't get to do nothing about it. The second argument I heard against a nondiscrimination ordinance is that this isn't a problem in Scottsdale. If it's not a problem, then any public input would reflect this that. It's a win-win, really. If there is discrimination, then we move towards and ordinance and that makes our city a better place. If there is no discrimination, then the argument is correct and any resistance to a nondiscrimination ordinance is justified. This whole topic is about fairness and inclusiveness. If you truly honestly believe that Scottsdale is inclusive, then prove it, and at the very least, allow public input on a nondiscrimination ordinance. Thank you.

MINUTES

[Time: 00:37:26]

Mayor Lane: Thank you, Mr. Neely. That completes our testimony and public comment. Next order of business will be our minutes, approval of minutes, and I would ask if I have a motion to approve the regular meeting minutes of March 3rd, 2015, March 17th, 2015, special meeting minutes of March 24th, 2015, work study session minutes of March 24th, 2015, and executive session meeting minutes of March 24th, 2015.

Councilman Phillips: So moved.

Mayor Lane: Moved and seconded?

Councilwoman Littlefield: Second.

Mayor Lane: And seconded. Seeing there is no comments or adds or deletes, I would then think

we're ready, then, to vote. All those in favor please indicate by aye. Those opposed with a nay. Minutes have been approved unanimously.

CONSENT AGENDA

[Time: 00:38:18]

Mayor Lane: Next order of business is our consent items. I would like to just note some changes to the consent items 1-29, and I would start with the applicant has withdrawn Item 7 so it is no longer on the list. The applicant -- the applicant in this particular item 11 has postponed it or continued it or requested a continuance, which they are allowed to do one time to April 28th. And the staff has requested Item 15 to be removed. Staff has requested Item 16 to be moved to May 5th. And staff has requested Item 23 to be moved to May 5th. If you are here for any of those items, you can either come back on those indicated dates and watch for them or you can stay and see us through the rest of the evening.

That does -- one other request, we have of Councilman Phillips has asked to pull consent item 22, and that item, just for the record, is SkySong's ground lease amendment, and he wants that moved to regular agenda, and that is to adopt a resolution number 10090 authorizing contract 2004-119-COS-A5, the fifth amendment to the ground lease with ASU Foundation, Scottsdale LLC, for the SkySong property. So the request is made to move that to a regular. If I have this right, Councilman, I just want to confirm with you, you are asking to move that to behind the regular agenda item 30 which the SkySong rezoning.

Councilman Phillips: Well, however you wanted to pull it. If we discussed it afterwards. What I was looking at was to include it with 30.

Mayor Lane: Okay. It may be we have to vote on it separately in either case.

Councilman Phillips: So I didn't know if we had to vote on it to include it in the other case.

Mayor Lane: Oh, you mean to include it with Item 30?

Councilman Phillips: Correct.

Mayor Lane: It is a separate item. We will have to vote on it separately, but I do know they're sort of tied together and I appreciate what you're talking about. I guess at this point in time only thing I'm thinking is whether or not you found some value in moving it behind Item 30 rather than just taking it as it would come as the first item on the regular agenda.

Councilman Phillips: I think it should be behind it because I just didn't want to preapprove it without approving the other one.

Mayor Lane: We'll respect that, then. So we then would have the consent items 1-29 absent 7, 11,

15, 16, 23 and 22.

Vice Mayor Milhaven: So moved.

Councilmember Korte: Second.

Mayor Lane: Moved and seconded.

City Clerk Carolyn Jagger: Your Honor, Item 11 needs to be included with a motion for the approval of consent. They're requesting a continuance.

Mayor Lane: I see. Okay. Pardon me for that, then. And the staff moved to a separate date is not a continuance in the standard form, then. Because we have items 16 and 23 that are also being continued, actually, but by staff.

City Clerk Carolyn Jagger: Exactly. That's correct.

Mayor Lane: Fine. Then let's go ahead, then, and vote for the continuance -- I thought -- pardon me, Miss Jagger, the applicant has one opportunity to continue without a vote, they are entitled to that.

City Clerk Carolyn Jagger: That is correct but this item has been advertised so we want to make sure we grant the continuance officially by the council.

Mayor Lane: Even though they are entitled to this. We would definitely have to vote if it happened again.

Clerk Jagger: That's correct. We're just making sure we're covered on the advertisement.

Mayor Lane: Unless there are any further comments we will accept a motion on Item 11 to continue it to April 28th.

Councilwoman Klapp: Move to continue Item 11 to April 28th.

Vice Mayor Milhaven: Second.

Mayor Lane: Motion has been made and seconded to continue that item to April 28th as has been requested by the applicant. I think we're then ready to vote on that item separately. I'm not getting anything here. I'm totally dependent upon this screen. If it's not showing up here it's not happening.

City Clerk Carolyn Jagger: We don't have a vote on consent, so that can actually be included in the motion for consent. So all we need to do is put it in there and just remove the other items.

Mayor Lane: That's the reason it's not showing up here separately.

City Clerk Carolyn Jagger: That's correct.

Mayor Lane: We're getting more and more complicated.

Clerk Jagger: I know.

Mayor Lane: We'll include that with the consent items with that motion. So then we would have the consent items 1-29 absent 7, 15, 16 and 23.

Councilwoman Klapp: And 22.

Mayor Lane: And 22. Pardon me, yes. We do need a motion for that.

Councilmember Korte: So moved.

Councilwoman Littlefield: Second.

Mayor Lane: Moved and seconded. Then we are now ready to vote. Hopefully we'll be able to -- okay. There we go. All right. All those in favor please indicate by aye and register your vote. And it's unanimous to accept those consent item just as has been represented. And we will be moving Item 22 to the regular agenda. So if you are here for any of those consent items, you're certainly welcome to stay with us. Otherwise, leave -- if you would leave quietly.

REGULAR AGENDA:

[Time: 00:44:15]

Mayor Lane: We'll move on to the regular agenda which now would begin with Item 22 -- sorry, Item 30. We have Mr. Bloemberg here for that.

ITEM 30 -- SKYSONG REZONING (26-ZN-2004#2)

Senior Planner Greg Bloemberg: Thank you, Mayor Lane, City Council, Greg Bloemberg, senior planner here to take you through the case 26-ZN-2004 #2 which is a request by the ASU Foundation to amend the development plan and site development standards for SkySong. The site is located at the southeast corner of Scottsdale and McDowell. I don't have a screen here. I am going to be sort of improvising. Occupies about 40 acres at the southeast corner of Scottsdale and McDowell. Close-up view of the site. This aerial is not completely up to date. There are two existing office buildings, the SkySong structure, a residential apartment complex, and there's a third office building that's already been constructed here with a fourth one anticipated to start construction soon at this location.

General plan identifies the site as a mixed use neighborhood. The southern Scottsdale character area plan identifies SkySong as a regional center and that implies, or at least suggests, that SkySong is

appropriate for more intense horizontal and vertical mixed use which is the reason I wanted to put this graphic up here. The zoning on the site is PCD. Here's a conceptual site plan of how SkySong could look at build out. Obviously again this is highly conceptual except again here at the third building that's existing, this building is existing, this building is existing and residential is existing opinion everything else on here is pretty conceptual but gives you an idea what the site could look like at build out. This is the open space plan, very similar to the site plan. What I wanted to point out here, though, is that the required minimum open space for SkySong based on the development standards is 20% of the net lot area. As part of this request, and I'll get into this in a little more detail here in the following slides, as part of this request the applicant is proposing to have an additional open space requirement of 500 square feet per foot over 60 feet in high, which could result in a total percentage of 25% of the site area being devoted to open space. So there could be an increase in open space with this request. This is the circulation plan.

And also as part of this request the applicant is proposing what they would like to term an incentive zone. The incentive zone indicates where on the SkySong property the additional building height that is proposed could be located. South of SkySong Boulevard any future buildings would have to maintain the existing maximum height of 60 feet, which is what was approved in 2004 with the original zoning case. With this request anything north of SkySong boulevard in these two areas could feasibly be built up to 90 feet in height exclusive much rooftop appurtenances. The development -- the amended development standards work like this. Be helpful if I had a screen. Right now there's no specific setbacks for the SkySong project. Location of buildings is based on open space, frontage open space. With this request the applicant would implement a minimum 30-foot setback from back of curb for any building, basically, if I'm not mistaken, John. Is that correct and then as you get over 60 feet, there would be -- that would kick in a stepback requirement. So at 45 feet there would be a stepback requirement, a minimum of 15 feet, if a 30-foot setback is provided and that stepback would be at 45 feet all the way up to potentially 90 feet.

The second graphic on the right side of the slide indicates a 35-foot setback and if the 35-foot setback is maintained, the stepback decrease from 15 to 10 feet. And so on. If a 40-foot setback is provided, the stepback would be reduced to five feet. And if a 45-foot setback is provided, there would be no stepback. So there would be potentially a 90-foot building straight up without a stepback at 45-foot setback from back of curb. Thank you, Brian. That's helpful. This is just a graphic of what the corner could look like feasibly if this development comes to fruition.

Process-wise, because this is in a PCD, and in a designated redevelopment area, the development review board first had to consider this case and make a recommendation on the development plan and the amended site development standards. They recommended approval with a unanimous vote of 7-0. Planning commission then heard the case and voted unanimously to support the zoning district map amendment and the development plan with the vote of 7-0, which leads us to tonight. That completes my presentation. Staff is available for questions. I will turn it over to the applicant.

[Time: 00:50:13]

Mayor Lane: Thank you very much, Mr. Bloemberg. I'm sorry, Mr. Bloemberg, Councilman Smith has

a question of you.

Councilman Smith: Greg, can you remind me or maybe everyone, there was a 1.5 acre reservation for the city, which I've heard referred to as a floating number. How is that figured in all of this, or how do we ever identify where our 1.5 acre is, or how do we select it at some point in time?

Senior Planner Greg Bloemberg: That's difficult for me to answer from a land use and zoning perspective. I know that there is language in the lease that deals with that, where the floating parcel could be located and what the terms are and what the conditions are for that floating parcel. It's not on this plan specifically identified because really location hasn't been determined yet. It's still out there and I believe it's still part of the lease with the ASU foundation and I think that's all going to be worked out at some point as part of the lease amendment.

Councilman Smith: Thank you.

Mayor Lane: Thank you, Councilman. Mr. Berry.

[Time: 00:51:30]

John Berry: Mayor, members of the council, for your record, Jon Berry, 6750 East Camelback Road in Scottsdale. It's a pleasure to be here this evening on behalf of the ASU Foundation and the Plaza Companies to represent SkySong. It's been a privilege to be involved with them from the beginning of the process with SkySong and going back to the beginning I know that all of you know for over a decade now the revitalization of the McDowell Road corridor has been a major goal of prior City Councils and even this City Council, which two months ago adopted the economic development strategic plan, which had as one of its top priorities the continued revitalization of the McDowell Road corridor. It's been a priority for City Councils, a priority for our citizens and particularly those in southern Scottsdale.

As part of that effort, some 10 years ago, the city and ASU created the public-private partnership, which is now known as SkySong. Well, so we can all be trying to wrap our arms around what SkySong is, I know most of you are very familiar with it, but just so we're all on the same page, the definition we use for SkySong is that it's ASU's Scottsdale innovation center. It's home to a global business community that links technology, entrepreneurship, innovation and education to better position ASU and Scottsdale as global leaders of the knowledge economy. This public private partnership that the City and ASU founded together was designed to become a catalyst for investment in the McDowell Road corridor, to revitalize the McDowell Road corridor.

How is the City and how is SkySong doing in that effort? Well according to the city's numbers, most recent numbers, there is over 400 million dollars in reinvestment in the McDowell Road corridor since 2007 when SkySong first started construction. 400 million. What has SkySong itself done in the McDowell road corridor to revitalize it? 1800 new high paying jobs. This is not a call center. 1800 new high paying jobs. 220 million of that 400 million dollar investment, SkySong. Three buildings that are 97% leased and 97% leased in the midst of the greatest economic hit that this state

has ever taken since the depression. A fourth building staff acknowledged is about ready to start construction. The residential has been constructed there, 90% leased. And it's become an incubator for new businesses. And it is five-and-a-half years ahead of our schedule with the city and with this new fourth building starts construction next year we'll be eight years ahead of the schedule with the City of Scottsdale.

What about the balance of the corridor? Well, you know, according to the city economic development department, the ASU Scottsdale innovation center or SkySong is the catalyst, the catalyst, for revitalizing the entire McDowell Road corridor. That's our economic development department's opinion of this. But can we do better? Could we do more? I think the answer to that is yes. Don't take my word for it. Remember, I'm a lawyer. Don't take my word for it.

Look at what the City Council has done in the past. City Council appointed a task force, appointed leaders in the community, activists, stakeholders in the McDowell Road corridor. And there was a new Scottsdale southern Scottsdale character area plan adopted by the City Council. Their recommendations, for example, the Scottsdale character area plan for southern Scottsdale says, as one of its major policies, create and encourage -- the word is encourage -- encourage the utilization of flexible land use regulation as incentives. That is exactly what this application is about, using it as an incentive flexible land use regulations for this additional height.

Now, the city's task force, one of their recommendations, was to explore regulatory changes, including possible zoning ordinance amendments, to increase building heights. That was one of the task force recommendations. Quite simply our application this evening is implementing the policies that all of those bodies are recommending. This proposal is in conformance with the task force recommendation. It's in conformance with the character area plan for this area. It is in conformance with the general plan. And it is in conformance with the city's design guidelines.

Now, this application was precipitated by the fact city and SkySong lost a major user for SkySong because we did not have this tool in our kit to respond to a major economic development opportunity and we lost it to Florida. Now, as to the specifics of our request, staff did a great job of going through the application, putting the visuals up there, and you have a very comprehensive analysis in your staff report and in the attachments. So I'm not going to go through the details of the request. But I will summarize it by saying that we have to earn those additional potential two floors on these buildings. We have to earn them. We're not coming here and saying we're your partner and we've invested \$220 million already and look at all the great things we're doing, just give it to us. We are here to earn it, and the way we earn it, that additional up to two floors, is we have to provide more open space to the community and we have to provide additional setbacks and/or stepbacks for those buildings if we take advantage of this potential additional two floors.

Please keep in mind that we are not asking for any more square footage than was originally approved back in the day. We're simply asking to allocate it differently and more productively and more efficiently and more economically viable to attract those tenants that we want in our city. This is not to a new zoning category. We're using existing zoning in place. In conclusion, we very much appreciate staff support, we very much appreciate the fact that you have a unanimous recommendation

from your development review board, you have a unanimous recommendation from your planning commission, and I would note that there were no speakers for or against that I have -- either the development review board or the planning commission public hearings. We would very much respectfully request your approval of this case this evening so that as the Scottsdale economic development department brochure says that we can continue to revitalize the McDowell road corridor together. Mayor, members of the council, I'm happy to answer any questions or wait until after public comment. Thank you.

[Time: 00:59:45]

Mayor Lane: Let's do that, then, John, if you would, please. Stay by. We do have a few requests to speak on the subject. We'll get to questions. There's four requests to speak. Just would like to remind everyone it is three minutes and I would also appreciate, because we've sort of drifted away from this, but when you come to the microphone, identify yourself and also indicate your address here in town or your business. We'll start with Milton Mason. I believe it is.

Milton Mason: Mr. Mayor and members of the council, ladies and gentlemen, guests, my name is Milton Mason with the Mason company, and I cannot tonight but to reminisce a bit to 1968 whether my wife and I first moved here from Memphis, Tennessee and purchased a home in Scottsdale less an mile from where this project is about to be built. And at the time that part of town was very vibrant and growing, a lot of fun places to go, restaurants, and as our family grew, like so many, we moved way up north to the Shea corridor, which is now I guess you would have to say is not way north, and abandoned our home in south Scottsdale, and during the next 25 years, like most everybody here, I'm sure we witnessed -- shall we say somewhat of a decline in that part of town as most of us moved and we saw the development of north Scottsdale and even further north. I personally, as a long-time resident, and a resident of that area, am really, really pleased to see a renaissance of that part of the town and the opportunity for it to come and be a part of the 21st century with the remainder of Scottsdale and it's with projects like this that we'll bring professionals and business and people back to the community. Having been in the architectural and development business all my life I know something about that business and the layout has got to be compatible with the plan of the city and the -- also meet the needs of the city but also has to be compatible with the market of what people are looking for and business are looking for, and I think you have come up with a great plan and a great project and I certainly look forward to its development and I appreciate the opportunity to speak on behalf of it. Thank you very much.

Mayor Lane: If you could just for the record, if you could let us know what your address is.

Milton Mason: It's -- we have an office in Scottsdale it's just moved. I have to get the new address for you because I do not have it by heart.

[01:02:42]

Darlene Petersen: Good evening, I'm back. Mayor Lane, and members of the council, I can't believe that I'm here for this -- the same thing that I was here before we lost the hockey arena and then we lost

Walmart and the auto places wanted the Walmart there because if you see the one on the Indian reservation, it is filled with people all the time. So the reason I'm here to speak is we went through all of this darn stuff how many years ago? 10 years ago? And it's the height. We in the southern part do not want to have high-rise. What's there is fine. But then if you give an okay to 90 feet, then everybody else is going to come and want 90 feet, which makes it higher and higher and higher. Well, you're losing the character of Scottsdale of the west's most western town and that is what drew a lot of the people from other countries. It brought people from Iowa, and if you start giving -- here we have these rules. Okay. It's supposed to be 30 feet. It's supposed to be 50 feet. It's supposed to be 60 feet. And then, by gosh, if you buy the property and it says it's 60 feet, then you put up with it. And I think that's the way -- and I love these people in the front row, and I'm sorry I only had three minutes to give you, John. I don't know whether you can see this or not. Don gave me this paper that is showing that along McDowell they're going to be five restaurants. I don't see one restaurant that I'd want to take my family to. They are not family restaurants. In fact, they almost look like they will be an extension of the bar district. And so I wish you'd table this or something because all the people that I talked to did not know this was going to come up, and the newspaper is just terrible in giving information out. So thank you very much.

Mayor Lane: Darlene if you would for posterity and for all those viewers out there that don't know like the rest of us do here that you are a citizen of Scottsdale, could you let us know?

Darlene Petersen: You've got my address on file.

Mayor Lane: But you are --

Darlene Petersen: 7327 East Wilshire drive, four houses from Coronado high school. Been here 57 years.

[01:06:31]

Mayor Lane: In the great City of Scottsdale. Thank you very much. Next would be Paula Sturgeon.

Paula Sturgeon: Good evening, Mr. Mayor and madam Vice Mayor and members of council. My name is Paula Sturgeon. I live in SkySong at 1301 North Scottsdale Road. I moved there about a year ago with my 85-year-old mother not sure what we would have in front of us, but we have moved into the most delightful community. It is so much fun to be around young people again and people older than I am. It is really true that in those apartments live families, live single people, live just the full spectrum of age and stage. I moved to Scottsdale with my family, and my family moved me to Scottsdale 50 years ago. And when I was a young person, the thought of going to Los Arcos mall was just the most fabulous thing, and when I got old enough to be left there by myself, it was terrific. But you know what? That was then. I wandered around a mall and went in and out of the orange Julius and the Harkins Theater and this and that. As a matter of fact, I currently live in the parking lot adjacent to the men's department of the Broadway. But truthfully, Scottsdale's character has moved forward. We are not nearly the west's most western town anymore, but we are a wonderful magnet for technology, innovation and all that is possible in the future. We have people that move in and out

of our building because that's what young people do. But they also drive our economy. They make us stronger. To keep a foot hold in the past does not do that for us. So I'm here to speak in hardy favor of this application for change. The thought that buildings have to be so short is also something that's part of our past. Do you remember the heart-sick feeling when that high-rise went in at Camelback and Scottsdale Road and somehow we've lived through it. And the waterfront properties, and we've lived through that and grown through that. Now south Scottsdale is a wonderful magnet for those people I hope will one day invent better legs for me, better communication for the world, and make this place, this Scottsdale community we love so much, all that it really can be. Please, I implore its passage.

[Time: 01:09:34]

Mayor Lane: Thank you, Paula. Next and last request to speak is Michael Rubinoff.

Michael Rubinoff: Good evening I am Michael Rubinoff 2646 North Miller Road. I have to say with the previous speakers before me it's marvelous to hear from my fellow neighbors as I live right around SkySong, and in listening to the varied responses, it makes me think and ponder about how we try to come together as a community, and as someone who actually as a little boy came to Scottsdale when I was 10 and went to Pima school, I've seen it all, including in fifth grade I was bowling at what was then frontier lanes, the now lane at Thomas and Scottsdale Road that we all know. So I know the area well. I came back to Scottsdale seven years ago and it was right to see the depression that had taken place with the closure of Los Arcos. Within months I discovered the Basha's close and the malaise that took place. And I have to say, and I have to agree with Mr. a Mason and also agree with my neighbor who lives on Wilshire we have seen SkySong emerge. I have utilized SkySong. I teach online. They have moved from what was the second building to the new third building. When I was there the other day, I was astonished to see this new community model that has been established, which Miss Sturgeon talked about that she is living in, and everyone had moved in the apartments. You have businesses, you have ASU, and this is a remarkable new urban model. And instead of, I think, being afraid of this type of expansion on ground which has already been established I think we ought to embrace it. Thus I strongly urge you to go ahead with the projected fourth building because this is exciting. I think that there is hope for southern Scottsdale, and it's, I think -- as the initial presenter representing the ASU foundation made the point, that this is the time to move forward. You have brought jobs back and ultimately you're bringing back an economic development. I still wish to see Bobby McGee's restaurant come back maybe someday. Dr. Shapiro serving us. Some of you have been around this know what I mean. I think they opened at Metrocenter decades ago. But it's nice to see this. And I certainly hope the members of council will take not only just my opinion but I think all the opinions that have been expressed, including my neighbor on Wilshire, I live also practically across the street from Coronado high school. I pass SkySong every day. I thank you for your time and consideration.

[Time: 001:12:35]

Mayor Lane: Thank you. That concludes the public testimony on this item. So I would ask Mr. Barry to come back to address -- if you want to take a moment or two. I can't imagine what additional comments you need to have, but certainly to receive any questions that we have from the dais here.

John Berry: I'm not going to follow those folks, but I will say I –

Mayor Lane: Wait a minute.

John Berry: I pine for the Red Robin, the Red Robin restaurant. I'm just saying. That's what I miss as well.

Mayor Lane: Very good. I don't know if we have any additional comments from anyone here on the dais, but if there are none, I'd just like to say a couple of words on this item, and that is the fact that I think it was eloquently put by a number of people who gave testimony on it. SkySong is probably -- you know what? I'll reserve these comments and let the council, now that they're chiming in, to go ahead and speak toward this. I'll start with Councilman Phillips.

[Time: 01:13:33]

Councilman Phillips: Thank you, Mayor. I was just waiting for someone else to push and they didn't do it so I did. If you don't know my feeling about SkySong and probably shouldn't be addressed so much because this is really about the height issue. I have felt SkySong has not been part of the community. Always felt SkySong should be part of the community. I have asked them to be. I haven't seen that come to fruition yet.

Mr. Barry you mentioned SkySong is a catalyst for redevelopment in the McDowell corridor. It should be the catalyst. You could say the McDowell corridor -- you could say it's the jug of Kool Aid and SkySong is the cup of sugar, but it's sitting there. It hasn't been put into the Kool Aid. It hasn't been mixed up. When you talk about how wonderful SkySong is and you live there and that's great and people come and go and they have their businesses there and everything, what is that doing for us? What is that doing for Scottsdale? That's what I want to know. What is ASU foundation given back to this local community? And I don't see anything. I'm sorry. For that I can't see granting 90 feet in height, which shouldn't be allowed in Scottsdale in the first place. Never should have been over four stories, the tallest Saguaro. I can't support going to 90 feet.

[Time: 01:15:20]

Mayor Lane: Thank you, Councilman. Councilmember Korte?

Councilmember Korte: The southern part of our city is a very important part of our city. I have been personally vested down in the southern part of Scottsdale for over 40 years, and certainly witnessed the rise and fall of Los Arcos, was very much involved in, shall we say, discontinuing the subsidy for the Sam Club and Walmart, and I believe what we have today with SkySong is one of the most important assets in our city. I so strongly disagree with Councilman Phillips. SkySong is a part of our community. I think if you walk through there on a daily basis you know that there are community meetings going on almost every day, whether it's the police department or whether it is Scottsdale gateway alliance or other organizations that are using that facility on a daily basis. SkySong is the heart of southern part of the Scottsdale and as we have seen, it is the catalyst for the revitalization.

I support this project and the additional height because we must be flexible to respond to current market, to current markets, so that we can attract quality companies with high-paying jobs so that our residents cannot only live, work, learn and play but our residents can thrive in Scottsdale, and that's important. We need to create communities where our people can thrive. Thank you.

[Time: 01:17:24]

Mayor Lane: Thank you, Councilwoman. Councilman Smith?

Councilman Smith: Thank you, Mayor. I think I also will take exception to the question of whether ASU is a value to the community. I think this partnership that we formed 10 or more years ago has been extraordinarily successful and you've heard statistics about the success, whether it is occupancy of the buildings, the attraction every businesses, good jobs, all that sort of thing. It's a unique partnership because it's not like the city or the citizens will enjoy an economic benefit directly from this development or any development. I mean, we put tens of millions of dollars into the land and its development and invited as a partner the ASU organization and as was correctly stated we jointly wanted to create an innovation center, and I think we've done that.

But -- and there is a but on this -- the but is that I don't see a justification for going to 90 feet. I have great concern about what a building of that height, particularly at one of the signature intersections of our city, Scottsdale Road and McDowell, what a building of 90 feet -- or in fact could be 108, I guess, if you count all the stuff on top, what a building of that height is going to do in any positive way. One of the requirements in looking at this, and indeed one of the statements that we make if we sign up for this in the resolution of the council, we will say that it is in our finding that this is in harmony with the character of the surrounding neighborhood. I have no idea how we can construe a 90-foot building is in harmony with anything with the surrounding neighborhood. Indeed the statement that was made is if future buildings north of SkySong Boulevard opt for increased height, the character of the surrounding areas will be enhanced. I don't even understand the sentence. If you say it will be in harmony because the neighborhood will be enhanced.

Everything that's been said about SkySong I could agree with. It's been a very positive experience. It is ahead of schedule. It is attracting companies. It has the potential of being what we deemed it to be, which was the innovation center and a partnership with the city. It can indeed be and probably is the catalyst for the McDowell Road renovation. All of that is true. But it's not a justification for going to 90 feet. 90 feet so dramatically changes the character not only of that development but the entire city, that I think we would have to ask ourselves why do we need to go to 90 feet. If we've been profoundly successful with buildings of 60 feet, why do we need to go to 90?

The bone that is thrown to the residents is that, you know, we'll have five restaurants and a hotel, which I'm not sure the residents particularly wanted, but they'll have five restaurants, and I think we have to at some point in time take into consideration the people who live in this area, the neighbors, the citizens, the folks who have made an economic investment in the city. They said years ago they wanted a restaurant, and so we built the Mark Taylor development to get, heaven only knows, how many housing

units down there so we could have a restaurant on McDowell road for everybody to go to. And now we're going to build a building of 90 feet and we'll give you five more restaurants. I suspect some of the residents there would say, I'll cook at home. Forget it. I don't need a restaurant after all.

I'm a support of where ASU is going. I'm not sure I would have voted for this undertaking ten years ago but that's water over the dam. We are where we are. I support what they're doing. I just don't want to see a 90-foot building at a signature corner in the City of Scottsdale. Thank you, Mr. Mayor.

[Time: 01:22:37]

Mayor Lane: Thank you, Councilman. Councilwoman Klapp.

Councilwoman Klapp: As was mentioned previously by several speakers, this development is the anchor for McDowell road, and much that's been happening over the last few years has been in response to developers and others seeing the kind of activity that the -- that's occurring on McDowell road, and so why do you need 90 feet? Because the market is telling the people that are developing McDowell road, and particularly SkySong, that there are those tenants that could potentially want to lease an entire building, and I believe that's what was lost recently when the potential tenant went to Florida. There is -- most of it. So the market is saying that this is a -- is a need in the area and so it doesn't frighten me that this requirement -- or this request for 90 feet is in this zoning case.

What I'm -- what I'm seeing is that the change in the nature of the development is actually a positive because what we were faced with previously is five or six buildings, I don't remember how many there are, six maybe, but nevertheless, all of the same height, and all relatively close together. So it looks like any office park that you would see most anywhere. No distinctive character to it. But what happens when you build 90 feet and you don't include -- and you don't increase the square footage of the entire project is now you have a great deal more open space than was planned previously, which makes this a more welcoming area for the neighbors, for the apartments to the east, for the new people that are living there to be able to walk around and enjoy an outdoor space for the tenants that are within the building to enjoy the outdoor space, and to also incorporate restaurants on the campus. So I think that the new design and the plan and the site plan is actually preferable to the old site plan and will draw more people to the area because it's just more open and welcoming than it would be with a lot of smaller, shorter buildings that are all the same height.

As for the benefit of SkySong, well, 1800 jobs is nothing to sneeze at as far as I'm concerned. That is a remarkable accomplishment with more jobs to come. Those people spend money in Scottsdale, many of them live in Scottsdale. The economic impact study I saw some maybe year or two ago said that at build out the complex will have an economic output of \$8 billion. This is a huge project for south Scottsdale and can do nothing but benefit the area, because the people that work there, and I believe the plan is, there will be 5,000 people working in that complex when it's done. How could that not be an impetus for all kinds of development to occur in the area when you've got 5,000 people working there when 10 years ago it was a hole in the ground. So my feeling is this is a significant project. The site plan is an improvement over the original plan and the benefits are there.

We have -- if I remember the information about the -- about yhe campus, too, because I spent a lot of time there, I visited a number of the businesses, I attend add lot of meeting there, I have melt with study for the entrepreneurship program that is there. There's 24 companies within SkySong and ASU has a number of affiliates, I think there were 17 last I counted, inside SkySong. It was already mentioned there were a great number of meetings there, international visitors come, thousands of people are in meetings within SkySong and there's meetings going on every day within SkySong. And those people that are coming are looking at Scottsdale with different eyes because that particular development is a center for innovation and incubation. So we can't help but feel that the benefits of all the activity that goes on within SkySong is going to greatly enhance the area and that's why there's more desire for people to live in the area, because they're going to be working in SkySong, or in other companies that will feed SkySong or SkySong will feed. The one company works off each other when you're in an area where you've got a center that could potentially have 5,000 people.

So I can't possibly say this is nothing but a benefit for Scottsdale and I would like to make a motion we adopt ordinance 4195 that will approve the zoning district amendment to the original zoning case for a 40-plus acre site which includes the various zoning districts that were -- sorry, this is a PC development plan, site development standard and PC comparable zoning districts including but not limited to increasing the allowed building high from 60 feet, inclusive rooftop appurtenances to 90 feet exclusive, adding building setbacks and step backs mentioned earlier, requirements for buildings in he can set of 60-foot height, amending permitted uses around eliminating the original shopping center and commercial zoning office districts from the list of PC districts, finding the planned district criteria have been met and determine that the proposed zoning district map amendment is consistent and conforms with the adopted general plan and also adopt resolution number 10057 adopting the document as a public record.

Vice Mayor Milhaven: Second. I think it's a good idea. Thank you.

[Time: 01:29:56]

Mayor Lane: Thank you very much. Councilwoman Littlefield.

Councilwoman Littlefield: Thank you. I will not be voting for this motion. This is -- Mr. Barry, correct me if I'm wrong, but this is allowing 90 feet anything north of SkySong boulevard, not only the building but also the hotel, is that correct?

John Berry: Mayor, Councilwoman Littlefield, the answer to that is yes.

Councilwoman Littlefield: I don't see any reason why we should change our regulations and our requirements at SkySong in the hopes that future -- a future tenant may come along and want the whole building. We're destroying our own regulations on something like that, and it doesn't make any sense to me. If a tenant comes along and has to have a 90-foot building and wants the whole building and is going to pay for that thing, that's the time to come to council and say we need it. But not now. Not when there is no current demand for that building, to destroy what we have is -- it's not sensible.

I do support SkySong. I think it's been a tremendous success. I have taken a tour through it. Everything I've seen is wonderful. The fact we are finding people and businesses that come here that want to be a part of SkySong and of Scottsdale shows that it works. I have no objection to building this building within the current parameters and regulations. Go for it. Find the tenants. I hope it's successful. Build the other building. Build them both. We can do this. We can expand SkySong. We can make it work, and we can make it better than it is today. That's great. We don't have to give up what we are and what was promised to the citizens when it was voted on and approved. Thank you.

[Time: 01:31:29]

Mayor Lane: Thank you, Councilwoman. The public/private partnership that we have with the ASU foundation is the largest investment this city has ever made in a partnership of this type. And it goes back to 10 years ago and a rather tumultuous and difficult proceedings in order to come to the agreement to the extent that we did at that point in time. But there were certain things that were set out then and I think that we're -- that were agreed to, sort of in a longer run, but some of the issues that have been brought up by Mr. Barry and the fact that by our own reckoning, by our own design we have chosen to set in place some issues of flexibility and incentives with zoning changes and allowance, and if there's one thing we've come to understand during the worst downturn the city its ever in its literal lifetime has ever encountered, it's to be able to evolve and to be able to meet the market. That doesn't mean that everything comes before us we have to receive without question. I think the thoughtful contemplation and consideration by every member of council is a positive and a good thing, and in fact to tell you the truth, had this come to us in a different form earlier on and it's been amended to where it is right now in some consideration of conversations early.

But as to its performance, I don't think that there's anyone on this dais that would deny the fact that it has performed. Of course, as the city has performed well, too. But even in very difficult times it was able to continue on a path, I think, was positive to the mission that was set out at the time that it was initially agreed. I talk about the commitment as far as the amount of money that the city has invested with the ASU foundation, and it's immense. It was \$85 million for land and infrastructure. But in addition to that, with two 99-year leases, or essentially 200 years of lease, the tax monies that are not received off that property are also a part of that investment. So it's a big deal as to having this work all the way around for the city. It's a huge commitment on the part of the city and the citizens. So when we think about this, we have to think about it from the standpoint of making sure that it has the best prospect for success.

I, too, have concerns about height. And I have expressed those as well. That's always a concern. We've made five amendments to this agreement in the last 10 years. And they've been substantial ones. But in each case the council, whether it is this council here as we make this decision and the previous ones, we looked at it from the standpoint of the viability of the project and making sure that it was a measurement of additional and continued success with it to meet the market. So these things are well thought out. I think that the councilmembers certainly different perspectives, myself as well, but I think that this is an important project, an important -- and important enough that I think we need

to continue to be working with SkySong and the ASU foundation and the marketing of that product and that project. So I will support the motion, and I think that it's a valuable one for us.

The one thing I would like to say, too, and really this goes in a certain form of kudos to ASU foundation, that in recent years truly there was at least some sentiment expressed that they weren't part of the community, and I think they have gone to extraordinary lengths in recent years certainly to making certain that there is a commitment to Scottsdale and a recognition of the partnership we have, and I think that's important for us all because it is a commitment by the citizens of Scottsdale and by this council as we represent them. So I feel very positively about it. We try to look at these things as cautiously and as dedicated as we can. So sometimes things are being said that may not jive with what is desired, but we -- we try to make sure we're working it through to the best benefit of both. We're in a partnership here and we want to make sure it succeeds along with the rest of the city and we think that we're doing that. So with that, we do have a -- an additional comment, councilmember Korte.

[Time: 01:36:00]

Councilmember Korte: I call for the question, Mayor.

Mayor Lane: There's no further requests on it in any case. So we certainly are then ready to vote the motion that's on the table. All those in favor please indicate by aye. Those opposed with a nay. Motion passes 4-3.

John Berry: Thank you.

ITEM 22 – SKYSONG GROUND LEASE AMENDMENT

Mayor Lane: All right. So we do -- we did move Item 22, which is an associated item. Dan, if you want to just give us some quick remarks on this, to whatever extent is necessary certainly, but we understand there is a close association with the provisions being changed in the ground lease.

[Time: 01:36:54]

Public Words Director Dan Worth: Mayor, members of council, the proposed amendment has one simple goal and that's to change a provision in the lease that limits the height of the tenant is allowed to build to match the zoning you just approved. When we did the original lease there was a table that was project characteristics. Among those characteristics is a height limitation of 60 feet which was consistent with the zoning at the time. We've reworded that to grant the height, and we actually used the language specifically from the zoning case that you just approved. So it mirrors the zoning case. So the intent of approving the amendment would be to actually allow the landlord to build to that height he has just gotten his regulatory approval for.

Mayor Lane: Thank you, Mr. Worth. It may be a question of you. If you could stand by. Councilman Smith, question or comment?

[Time: 01:37:43]

Councilman Smith: It's the same question I asked Greg. Where is our acre and a half? And how do we ever get that? And if we wait too long, are we going to get a parking lot? Or how do we –

Public Works Director Dan Worth: Our acre and a half is still somewhere that site. We've had some preliminary discussions about the process to move forward to identify that jointly, which we would ultimately bring to you in the form of a subsequent lease amendment. But it is still in the lease. We do have the right to develop 1.5 acres as we see fit. It's not pinned down as to the precise location. And it has separate floor space under the zoning, which is laid out in that same title, same table in the lease amendment that's before you.

Councilman Smith: I guess my reason for asking, and I don't know whether this is a request of staff or whatever, but as the whole 37 1/2 acre parcel gets developed if ours is the last acre and a half I can only imagine where it might be, and if we can exercise our option sooner rather than later, I mean, if we could exercise it now, I'll take an acre and a half at the corner of McDowell and Scottsdale Road, and if that's an option, maybe we should look at that. But I'm looking to staff or somebody to tell us at what point can we exercise our option. Maybe we want to turn ours into a park or something for the community. And I have the uncomfortable feeling it's going to float there for the next 20 years. So help me out.

Dan Worth: Mayor, Councilman Smith, I think that's a valid observation and if the direction is to start those discussions I think ASU Foundation, as they have brought it up previously, is willing to start those discussions. I would also point out that as we've developed the site we consciously, ASU foundation, agreed to begin the development on the portions of the site farther away from the prime real estate at the corner of McDowell and Scottsdale Road and part of that was we didn't want to be left with the lowest value portion of the site and they've held to that. They've developed from the back forward. So we're still in a good position to have a viable location, whatever we choose to do with it.

Councilman Smith: Well, then, I don't know whether this is -- I suppose this is germane to the whole subject but I would like to request that you or the city manager or somebody look –

Mayor Lane: Excuse me one second. I think probably our city attorney -- the city attorney is looking to weigh in. I would say -- we're certainly not agendized for that action now.

[Time: 01:40:50]

City Attorney Bruce Washburn: I'm truly sorry to interrupt. It's an interesting and important question but I don't think we're agendized for having this discussion tonight. The public would not understand this is going to be discussed tonight. I think it's -- that we need to delay this discussion.

Councilman Smith: The jury will disregard the comments.

[Time: 01:41:15]

Mayor Lane: In any case it's interesting now that I've been somewhat quieted on this subject, but I will say that one of the issues that we have with that particular thing, and I know it was set aside at a location there on the southwest corner of SkySong and McDowell road at a point in time, but is the value for us to resell it, too. So -- but in any case I'm sorry if I violated anything there, Mr. Washburn, but in any case, councilmember Korte?

[Time: 01:41:50]

Councilmember Korte: I would like to move to adopt resolution 10090 authorizing contract 2004-119-COS-A5, the fifth amendment to the ground lease with ASU foundation for the SkySong property.

Vice Mayor Milhaven: Second.

Mayor Lane: Motion made and seconded. As before you just like the idea?

Vice Mayor Milhaven: Yes.

Mayor Lane: I think then we're ready to vote. All those in favor indicate by aye. Those opposed with a nay. Motion passes 5-2. With Councilwoman Littlefield and Councilman Phillips negative. Thank you, Mr. Worth. Appreciate that.

ITEM 31 – BAHIA WORK/LIVE/PLAY DEVELOPMENT AGREEMENT TERMS

[Time: 01:42:41]

Mayor Lane: So we now would move on to Item 31, which is the Bahia Work/Live/Play development agreement terms. Mr. Bloomberg, you're back at the podium.

Senior Planner Greg Bloomberg: Thank you, Mayor Lane again, and City Council. Greg Bloomberg, senior planner here to give you a very brief introductory presentation on this item. It concerns cases 14ZN2014 which is a rezoning action approved by council in December of last year as well as development agreement 2014-188-COS which was tied to that zoning case. Just to refresh your memory where it's located the site is located at the southeast corner of Bahia -- actually southwest corner of 92nd and Bahia. At the December 2nd City Council hearing the zoning and development agreement were both approved, and at that time there was an allotment required of special improvement funds of \$868,836, and the allotment was approved as shown on this slide for improvements related to the Westworld facility.

After the vote was taken on the zoning action there was a desire to explore other options, which is why we are here tonight. Staff has identified a few options for you to consider as alternative destinations for those funds. They are shown here on this slide. A couple of other alternatives have surfaced in the last week or so that are not shown on this slide but I'll give you a brief description of those. One is to underground some future -- future 69kv power lines that could easily be going down Bahia Drive. I

know there is some interest from the property owners in that area to contribute funds towards. But again it is a future project. It is not existing power lines. They're not under construction yet. The applicant has indicated some interest in taking some of those funds and devoting them to public art.

You have basically two options tonight. One is to not take any action and allow the original zoning approval to stand and the development agreement to stand as originally approved. But what should be pointed out here is that if a change -- if there is a desire to change the allotment of the funds, it would require either the City Council or the applicant to initiate a zoning map amendment to reopen the zoning case and an amendment to the original development agreement and that amendment to the original development agreement would require consent from both parties. So City of Scottsdale and the applicant. I should also point out that the applicant, again, received their zoning approval, they have received Development Review Board approval and have submitted final plans for construction permits and are very close to pulling those permits. So this could have some impact on how soon those permits could be issued. So I just wanted to make sure that those points were clear. That concludes staff's presentation.

[Time: 01:46:34]

Mayor Lane: Thank you, Mr. Bloemberg. We have a couple of requests to speak on this subject and then we may have some further questions of you. Start with Irene Clary.

Irene Clary: Mayor Lane, City Councilmembers, city staff, my name is Irene Clary, 16221 North 91st Street Scottsdale. I appear before you this evening to express my support with the reallocation of funds which will require an amendment to the development agreement that was prepared December 2nd, 2014. This was the mechanism which allowed Bahia Live/Work Lofts and townhomes to purchase the area and bonus height densities so that the Southwest corner of Bahia and 92nd Street could be developed. I believe that these funds in the amount of approximately \$768,000 should be reallocated to allow for the undergrounding of the proposed APS power lines which will run along Bahia north along 91-S street and then along Bell Road. In addition, I respectfully request that the remaining amount of approximately \$100,000 be put toward public art for the subject property known as SOHO Scottsdale. I think a public art component would benefit the unique mixed use project as well as the surrounding properties within that district. Of the Scottsdale airpark. The art can be displayed in or on the perimeter of the so hoe project. The Scottsdale airpark area can benefit from both of these proposed reallocations.

What I do not want to happen, however, is to affect the current zoning for the property. We have gone through that City Council. We have gone through the DRB. As Mr. Bloemberg mentioned we are in for our first submission for building permits. I am supporting the relocation of the funds as described above with the condition that the zoning of the Bahia Live/Work Lofts and townhomes is not affected in any way aside from a possible two-month delay that I understand might take place. We're willing to accommodate the process needed to amend the development agreement as we truly believe that the reallocations can only benefit this area of north Scottsdale. I am hoping that it will not take that long, and we are willing to work with city staff to make it happen more expeditiously. We are fortunate to have such a great municipality to work with and to continue to make the city one that will

be above all. If you have any questions, be more than happy to answer them.

[Time: 01:53:16]

Mayor Lane: Thank you very much. Not at this time. We do have some other testimony on this as well. So thank you. Mr. Jim Riggs.

Jim Riggs: Thank you, Mr. Mayor and council. My name is Jim Riggs, a in resident of Scottsdale 9780 East Gary road, for 23 years. I'm here tonight just to inform ahead of time I have a pending zoning application and a design review application with the council and I'm here about an issue related to that but not specifically for that. I'm here to support what Irene just stated and that is for the council to consider, strongly consider, a reallocation of the funds that was approved as part of her zoning case and allocate them to undergrounding the APS power lines.

Quick history of that, I have only owned the property three blocks from Irene at the corner of Bahia and the 101. This were planning to do a small office building. Shortly after I purchased the property in December of 2014, just a few months ago, I was notified by APS that pretty much imminently, meaning starting construction towards the end of this year, there's going to be 69kv power lines going right through the community directly across the canal on frank Lloyd Wright right over top of the horses entrance to the west world, next to the quicken loans building for two blocks north on 91st street and east again dead ending at the end right in front of the ice den, approximately 14 poles described as poles, but they really look like this. So these are 69kv lines. They're huge. They make noise. They're very distinct. I'm also a real estate broker and developer as most of you know, talked with other agents in the airpark, it could potentially result in an approximate 25% hit to property values of anyone near these lines. These lines were changed. There were three different proposals. They were originally supposed to go through a neighborhood to the south and east. I'm not condoning that but we ended up with this. We're not trying to fight APS and say you can't do the lines. We would never win that fight. We are working together with them. I had four meetings with them since I started on this and three meetings at the city.

We have organized and improvement district which will get launched officially tomorrow following the state statute guidelines of 51% of the owners to launch it. If we're able to do that, we have a chance of getting this district formed and not preventing the lines but allowing APS to meet their schedule the summer of 2017 having a very important redundant power source in play for this area, but we need some help. The original pricing from APS was \$3 million to bury the lines and put them under ground. That's their original estimate. It's a tough process anyway we can get some help in the -- help in the way of something proposed tonight would help dramatically to get the other people, other owners convince to do join the district and get it approved by the council.

[Time: 01:53:16]

Mayor Lane: Thank you, Mr. Riggs. I have a couple myself to begin with. Number one, one of the things that we certainly as a community benefit to Westworld, there's only one opportunity to put 69kv lines under ground and that's when they're being installed. Otherwise it's -- it would be much more

expensive as well as nearly impossible to sell. But nevertheless, with that given, we are very much -- we're very concerned about the -- this prospect and what this kind of allocation of these funds might mean to this process.

But one thing that's important for the city is the fact that your district right now, as I understand, is being processed starts south -- sorry -- starts north of the entrance to Westworld on the 101 access road there, and as parted of what we might consider here, at least in my own estimation, it would have to be something that's starts south of that entranceway. We would rather not have those lines imposing themselves on the -- on our entrance -- that entrance to Westworld. So that's -- I don't know if you're instituting it tomorrow, and depending upon what happens here tonight, that would be a component of what we might consider here.

Jim Riggs: The boundary we're proposing tomorrow is a starting -- as a starting point we talked to the city engineer and staff and they had originally indicated that the city would not be participating in that and the -- to start the boundary line north of that. We wanted to start north of that. Everyone I've talked to so far wants the area which we call above the entrance to the Westworld where the horses are just north of the canal to be the starting point. Just so you know the lines have to go over Frank Lloyd Wright and over the canal above ground. So there's going to be a down pole somewhere on that north side of the canal. That will be a starting point.

Mayor Lane: North of the canal but south of the entrance.

Jim Riggs: Yes. And there will also be an up pole directly to the Far East of the entrance of the ice den. There has to be a beginning and end pole that looks like the pole I showed. It doesn't go away forever. Then the lines go due north and connect to a substation. They follow the current power lines there.

Mayor Lane: Yeah, real familiar with that. The only aspect I wanted to get some assurance of is that the district would include it being under ground at the entrance point.

Jim Riggs: You can count on that.

[Time: 01:56:02]

Mayor Lane: And that's the -- that's the point of clarity I was looking for. As far as the reallocation of these funds, I can't say enough about the fact that this is something that truly is an application that is appropriate for the use of these funds and certainly I think of great benefit to Irene is certainly on board with that. I know there are some concerns and considerations as far as that goes as the property owner with this. If I might, and if you could, because there will probably be other questions of yourself, Jim, my understanding was that the permitting process could -- as is in place now could continue. Randy do you want -- without interruption given this amendment to the stipulations within the development agreement.

Planning and Development Services Director Randy Grant: Mayor Lane, that's correct -- Randy Grant.

Right now the city has entered into an agreement with the applicant that requires the applicant to submit 868,000 dollars and some change with building permit application. So that would be required to be submitted to the city before building permits would be issued. The allocation of that money could be the continuing subject of discussion with the City Council. The applicant –

Mayor Lane: And -- pardon me for interrupting. And amendment to the development agreement.

Planning and Development Services Director Randy Grant: Yes. The process could continue. It's simply an amendment to the agreement of how the allocation would occur at this point.

Mayor Lane: Very good. I'm hoping, Irene, that that sort of settles the issue of the permitting process that you're engaged in right now. So that would not be stalled or stopped. There's a decision to be made here. I'm not trying to get too far ahead of this, but there's a couple items I wanted to make sure are clear in this consideration. And with that, Jim, if you might, you might just stay there, if there are further questions of you from the rest of the council as it is and we'll proceed from there. So starting with Councilman Phillips.

[01:58:10]

Councilman Phillips: Thought I was number two. So, Mr. Grant, you just said that the process could continue. So you're saying she can pull permits and start building even though she doesn't have this rezoning?

Planning and Development Services Director Randy Grant: Mayor Lane, Councilman Phillips, she is expecting to have permits available based on the current processing of the plans in about two months. We could process the amendment to the development agreement in about the same time. I don't see there would be a conflict. I would like to qualify that, and I don't know whether now is the appropriate time or the at a later time of the process that would be involved with that because this isn't simply where you write a check. This is an agreement for a portion of the costs for a project, whether it's undergrounding or the initial allocation in the West world facilities, and that has to be the subject of an amended agreement with the applicant. The undergrounding of the power lines at our estimation is going to be about \$3.8 million for a little more than a half mile. So this could offset a portion of that, however, there are engineering technical difficulties with undergrounding immediately north of the canal. That portion is the Bureau of Reclamation dams. I would hate to think we're working out details of what would that involve when we haven't had an opportunity to look at the technical aspects every it. I also would advise not to get too far into what portion of the undergrounding this is going to pay for because the applicant might prefer it pay for a portion and the improvement district pick up the rest. We simply don't have the ability at this time in the process to completely validate exactly where that money would go. So that would be what we would be working on in the next couple of months.

[Time: 02:00:27]

Councilman Phillips: Thank you, Mr. Grant. Mr. Washburn, what is the legality of the city's helping put in funds in a taxing district?

City Attorney Bruce Washburn: I did not hear the last part of the question. What is the legality of what?

Councilman Phillips: Of the city helping put in funds for a taxing district.

City Attorney Bruce Washburn: The statute that provides for improvement districts, underground improvement districts like this one, has a specific provision in it that says that the city can pay the costs of the improvement if it chooses to do so or could participate in paying the costs of the improvement if it chooses to do so.

Councilman Phillips: So it's legal to participate.

City Attorney Bruce Washburn: Yes.

Councilman Phillips: The other question is can we get funds from another source to do this or -- this seems like the only way they're going to get money to help with this improvement district.

City Attorney Bruce Washburn: I'm sorry, is that a question for me?

Councilman Phillips: It is just because if there's another way to fund it. Because let's say we call for no action on this and then they get their taxing district and then they come back to the city and say, would you help us out, can we help them out with another source?

City Attorney Bruce Washburn: Yes, we could help them out with money from the general fund.

[Time: 02:01:45]

Councilman Phillips: Okay. My concern is -- is this -- is -- this it is taxing district, is that the yellow line you have squared out on your picture?

Jim Riggs: That's the boundary of what we're going to propose tomorrow but it has to be approved by the city engineer to propose it to the council. There's a few more layers.

Councilman Phillips: So all the business owners in that would be the ones paying for it?

Jim Riggs: Correct.

Councilman Phillips: Have you figured out what it would cost each person?

Jim Riggs: We are getting there. It's on a per acre basis. And this park has -- that boundary is about 129 acres but there's about 260 owners in that park, so the allocation is up to us to propose. So we're still figuring that piece out.

Councilman Phillips: You just said this does or doesn't include residential?

Jim Riggs: It doesn't -- the statute was written for the intention of residential on a per acre basis. So the burden is on us to present something to the owners how the price should be allocated. We have some large owners and we have some really small like 1300 square foot owners that are not similarly situated.

Councilman Phillips: I mean, I can see it's a noble idea and I sure wouldn't want the power lines there and it seems like a great way to do it and like the Mayor said, time to do it before they put the lines up. I wish we could have done that on Shea. But I'm just concerned about if you're going to get the taxing district and who is on board with it and how much they're going to pay and how long it's going to take and I'm just not sure APS is going to wait to find that out and I don't know if -- if it's even going to come to fruition, to be honest with you. So I think we're going to be tying up this money for something that might not even happen. So that's why I was suggesting maybe have no action taken on this and come back to the city when you get your taxing district and then we can work from there. So that would be my suggestion. Thank you.

[Time: 02:03:55]

Mayor Lane: Thank you, Councilman. Councilman Smith?

Councilman Smith: Thank you, Mayor. I don't know who my question is to, but regarding the \$868,000, is this something that the applicant controls or we control or we need to do it together or what's the procedure?

Planning and Development Services Director Randy Grant: Mayor Lane, Councilmember Smith, this is an agreement between the city and the applicant. The amount was specified by formula based on the zoning bonuses that were prescribed as a result of their requests. So they initially had some input into where the money would be spent. At the time the capital projects identified as a part of the initial approval were what was determined and agreed by the applicant would be appropriate. It was an agreement between the two parties.

Councilman Smith: I think the reason I'm asking, first of all, although I wasn't here when this was originally voted on back in December, I would certainly have supported the motion to send the money somewhere else other than Westworld. I think we have, as was expressed at the time, some pretty profound capital needs, not including north hall and other things at Westworld. So I'm probably concerned with procedurally even how this gets as far as it did in December without having more dialogue about where the money is going and involving council in that decision. But we are where we are. So now today we're talking about 868 and where do we spend it, or where do we -- yeah, where do we spend it, where do we allocate it.

I was not uncomfortable with several of the alternatives in here which would make it an offset against the CIP needs because they're huge, as we all know and there's no money to do them. There's a number of things we could have done even in the neighborhood that would be an advantage. And while I find this concept intriguing, I think I'm sharing the concern that Councilman Phillips was expressing, we're going to, I don't know, set aside 800,000 or some number of dollars against the

potential appear special district will be formed and APS will agree to bury the lines and whatever. Speaking for myself, I would love to see us participate in some project to bury power lines, particularly if they're otherwise going to go across the entrance to Westworld.

But I almost think you are -- we're mixing up too many things in the discussion here. While I applaud that as a strategy to say that we ought to do that with this project and potentially delay this project, I would rather see us make a clean swipe of the \$868,000 and let's say pick an item offer the list and direct the money there, spend it quickly, meet a critical need that we have in the city, and work with the folks in the power line development burial of it as expeditiously as we can if we have money to do that. I'm not even sure what the motion is going to be eventually but that's certainly what my preference would be. Thank you, Mayor.

[Time: 02:07:28]

Mayor Lane: I would sort of like to clarify a couple of things. Number one, the only thing we're talking about right now is whether we act upon a request to find the allocation of these funds somewhere other than what was approved when we made the zoning entitlement to the applicant here. So the stipulations right now indicate Westworld. If we do nothing, it goes to those projects that are indicated for Westworld. What staff came back to us with were alternatives because that was at the request of the majority of council after the zoning was approved. So the zoning is in place, and the applicant is entitled to pull permits and do whatever is necessary because it's all in place and approved. If nothing happens it goes to Westworld and, like I said, to those projects that were indicated. What we're trying to consider here is how to best use this within the area of the project, which is really what the intent is on the use of these funds in these trade-offs on the zoning. And so this is certainly, I think, a qualified project for an application for the surrounding area's benefit and certainly for Westworld itself. I'm just talking about the facility on the overall.

As anybody around here who knows for a number of years knows we have been trying to underground the lines. The 230kv lines we would like to put under ground but at \$10 million a mile it's been a bit of an obstacle and no takers on the deal. So we're trying to get ahead of it as far as this is concerned. It's no secret I'm an advocate of trying to use these funds in this way, as I do think it's to the benefit of the overall area and much -- and consistent with the way the funds are to be used. So there is no violation there.

I think we established at the outset that the applicant can continue in the process, and I guess -- a nod of head is fine, but to continue in the process with their zoning without interruption while we consider a reallocation of these funds -- reallocation of these funds.

If in fact the improvement district doesn't get set up or some other glitch occurs we can build in terms it reverts back to what was originally approved. So tonight is only just direction to staff to -- we'll take a vote to make sure that direction is clear, but nevertheless, it won't be an action vote. It will be a direction to proceed in this direction on this path. So I don't think it's quite as complicated as it may seem but at the same time there is some contingency involved, Jim, with the improvement district and it being completed, and to my concern that one of the things I would think we would like to have is, if at all possible, is to make sure it's underground so we don't have these lines and those towers in close proximity if we he can from the entranceway there. I think that would be a major distraction and

denigration of that entrance. Yeah, Jim?

Jim Riggs: Mr. Mayor and Councilmen Phillips and Smith, when I talked to the city engineer, even though most people are new to the process, the guidelines are clear once we initiate the process it will get to council within three to four months. It's not a long drawn-out process. We will be waiting essentially on a final number from APS, which takes about 30 days and notices will go out to the city and come to vote before you.

Mayor Lane: Not that this is necessarily entirely relevant to what we're talking about and I hope I don't overstep the bounds, but the idea of amending it to the north side of Bell Road may have some other consequences of reducing costs even though there might be some easement questions involved, too. So with that, and I hope that was a clarification, but Councilwoman Klapp.

[Time: 02:11:58]

Councilwoman Klapp: My understanding was the same as yours that we're just providing direction. There's not going to be a motion. We're not going to decide how the money is going to be spent tonight. So my recommendation or direction would be that we accept that what the developer of the property has agreed to at this point, which is that the money would be reallocated in some fashion as long as her zoning is not impacted by the change we're making tonight because we have to recognize that she is in some fashion possibly going -- she has to agree to the fact it will change the -- what was -- what we voted on as a council. We gave her zoning and we gave her the right to proceed. So my feeling is that we have to respect in some fashion what the owner of the property has asked for and so if you were asking for my personal opinion and I'm certainly not voting on this, I think it's a request that it would go toward undergrounding the power lines and for a portion to go to public art would be the best way for this to be handled but we'll have to wait and see what the staff puts together, it has to go to public hearings and come back to the council for a final resolution, but I do believe that we should not fund the original project that was agreed upon when the zoning was approved.

Mayor Lane: If that's the motion on guidance --

Councilwoman Klapp: It's not a motion. It's direction.

Mayor Lane: Direction to the staff. I'll second that. Councilmember Korte?

[Time: 02:13:54]

Councilmember Korte: Thank you, Mayor. I can speak for myself and I think a couple of other councilmembers that I do not have an appetite to fund the overages at Westworld and I think that's what this discussion has been brought back. We requested this discussion to be brought back to the council. I also believe the applicant should have a strong voice in how these funds are used, should be the strongest voice, and I believe, and I support the direction to honor the applicant's request for 100,000 in public art and then it would be 768,8ed something for -- 800 something underground utilities of the APS lines. I want to ensure the applicant's permitting process move forward in a timely manner

and that the amendment or the process to change the allocation of these monies move parallel with the permitting process so that her project is not slowed in any way.

[Time: 02:15:14]

Mayor Lane: Councilwoman Littlefield?

Councilwoman Littlefield: Thank you, Mayor. I find myself to be in agreement with several of my council people here. The idea of burying the power lines now before they're up and staring in your face is a good one. It's the best time to do it if we're going to do it. It's in the airport area. So it does qualify and satisfy that requirement. I'm concerned a little bit because I'm new to this but as someone said I believe it was Mr. Grant that it was \$3.8 million to bury the lines. And this is \$868,000. There's a little difference there.

To do an improvement district I understand that that's something that could be put together for the other owners to contribute into it to make that payment, but I wouldn't want to vote for this until I knew that that district was in place and that people were willing to make up that difference. I don't want the city to be hanging out for that difference and have to cover it in some way either through the CIP or the general fund. So that's something that I would be concerned about and want to know where that money was going to come from and that we had it in place.

I do not want to do anything, however, that would slow down your process of your permits and stuff. I understand time is money with a lot of people in this kind of thing, and it's important that we get back as quickly as we can and see what we can come up with on that. This is something that also would help Westworld to bury those lines in the front entrance. So I don't see it so much as a negation of Westworld. Just something different.

[Time: 02:17:03]

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

Vice Mayor Milhaven: I'm supportive of the non-motion motion. Ditto. But my understanding is we're not deciding tonight to put the money into an improvement district. It does not obligate us to an improvement district. I think we're saying if the owners decide they want to do an improvement district, applying this money to support that effort would be agreeable and that's certainly where I'm coming from. So we begin the process that allows us the flexibility to decide later how we spend the money.

Councilwoman Klapp made an interesting comment about public hearings. I want to understand why this is an administrative action since it's not increase building heights, densities, intensities, doesn't involve change 80 any portion of it. Why does this require public hearings. Why is this not an administrative action?

Planning and Development Services Director Randy Grant: Mayor Lane, Vice Mayor Milhaven, good

question. The way the zoning approval was structured was that it was a stipulation -- the district requires that we identify where the money is going to go and that that be stipulated as part of the approval. That stipulation is affected by the development agreement, both of which identified the Westworld allocation as the location for the funding. So in order to change those, we're not doing a rezoning to the zoning district but we're rezoning to amend the stipulation and the development agreement, and in order to do a rezoning we have the process that requires open house, planning commission hearing and City Council hearing. That's what the state requires for a rezoning. So that's why we were suggesting that even though this seems like a simple reallocation of the funding, the mechanism that's required to get there does put the applicant back into a rezoning process.

Vice Mayor Milhaven: So that would suggest no changes to any zoning action would be administrative?

Planning and Development Services Director: Mayor Lane, Vice Mayor Milhaven, we have some ability with the stipulation that are usually crafted with significant or substantial compliance to the site plan we have the ability to same substantially conforms. The zoning district provisions because of the bonus provisions require that we identify by ordinance -- by ordinance we require where we identify where that money is going. That's the difference between us saying they can make some site plan changes and still be in conformance with the site plan as approved and saying we have the ability to administratively alter the allocation of the funds that were approved by City Council.

Vice Mayor Milhaven: I guess I'm confused because -- in my mind it's pretty minor, it's not material, it doesn't change the site plan. It changes nothing about the site plan of the project. So -- I don't know. I don't understand why we need to go to all that trouble. Thank you.

[Time: 02:20:07]

Mayor Lane: Thank you, Vice Mayor. Councilman Smith?

Councilman Smith: Vice Mayor, if that was a motion, I agree with it. I don't know why we need to go to all that trouble. I want to be sure about one thing that was said, and I know we're not making a motion but we're giving some direction. You said at one point if it's not used for this it will revert back to the original and I think the sense of the original of my colleagues here is we do not want it to revert back to the original.

Mayor Lane: If I might respond directly to that, since it's directed to me, what I said, actually Councilman what I said is if we do nothing, if we don't -- if we don't choose some -- anything that's on that list, if we choose anything on that list we go through this process. But the only thing we've done is add something to the list and it happens to be the undergrounding of the 69kv lines. So that's an item to be considered along with the rest of them. We've been more or less exclusively on that track, talking about the 69kv as an alternative, that is already approved, a stipulated event we voted on and we had that's where the allocation will go and that's the reason we have to vote and possibly as I understand it from Randy that we've got to go through the process because we're making that change. It's not some minor change to the site layout. That's entirely consistent with the overall. I get that.

That's really all we're doing. The point, just to answer your question directly, what I said is we do nothing, it goes right back to what we already voted on and that's it goes to Westworld for the designated items that were up on the screen there.

Councilman Smith: And I'm in agreement with that, and perhaps my colleagues are as well. I think we're saying we support trying to do something with the KV lines, 69kv lines, but in the event that doesn't work out -- doesn't work out we do not want it to go back to the original Westworld configuration. We want it to go to the list and pick something here relevant to the airpark and makes sense. The only other thing I would add is my thanks on behalf of the council to the applicant for sitting so patiently through this process. It must seem like we're making sausage up here, but we'll get there. Thank you.

[Time: 02:22:37]

Mayor Lane: Thank you. Councilman Phillips?

Councilman Phillips: Thank you, Mayor. And to the applicant's point, that's why a lot of people go to Phoenix, because we make things so difficult here. Other things to consider is when you have a taxing district, how much is each owner going to be paying and for how long are they going to pay it? When you do that, then trying to sell your property becomes harder because you have to reveal that you're part of a taxing district and somebody will say I'll think I'll put my building south of the airpark where don't I don't have to pay that tax. Same thing for a new building, they're going to think the same thing. Why would I build my building here when I'm going to be paying extra taxes? I think that's something you have to think about.

The other point is, from the very beginning when this was first pulled is the -- it's the idea of every time an applicant builds something and they allot their money, is it going to now come to council and we're going to decided what to that with that money? This is starting a precedent. I don't think it should have come to us in the first place. Should have just went to whatever was originally agreed on and that's where it stays because otherwise we're going to do this every single time. We're going to lose a lot of business this way. So I'm still of the mind that we can take no action. Thanks.

[Time: 02:24:05]

Mayor Lane: Thank you, Councilman. Councilwoman Littlefield?

Councilwoman Littlefield: So just giving direction just to make sure I've been clear, I do think it's worth looking into this. It is in the airpark. It fits the needs and the requirements of the original contract. So I think it's okay to look at burying the power lines and looking at that, but if that doesn't work out for whatever reason, if we can't put together a district, then I would be in favor of going back to the original Westworld money set that was in the contract originally. Thank you.

[Time: 02:24:41]

Mayor Lane: Thank you, Councilwoman. So we do have whatever we want to call it, but a vote as far as -- and I think consensus of opinion on the direction, however we want to call it. Is that understood? I mean -- or do we need to take voice vote on it? Yes, Mr. Washburn.

City Attorney Bruce Washburn: I do want to make sure staff understands what the direction is. As I understand it, a majority of the council is giving direction that the rezoning necessary to reallocate the funds from something other than Westworld be initiated and then it will come back to council and they want strong consideration given to the -- using the money for the undergrounding and for -- the request made by the applicant with the understanding that the final decision will be made by council at the time the rezoning comes back. Is that a fair summary of what --

Mayor Lane: I would say so. And the public art. At least strong consideration or frankly that a public art component as has been requested.

City Attorney Washburn: Right, the suggestion as made by -- as made by the applicant.

Mayor Lane: Okay. All right. Well, then, we'll forego any vote. We won't even pretend there is action taken here. So thank you very much. Thank you, certainly, Irene.

ITEM 32 – CAMELBACK ROAD, DOWNTOWN, AND DAY TRIPPER TROLLEYS

[Time: 02:26:18]

Mayor Lane: Our next item is Item 32, Camelback Road downtown and day tripper trolleys. We have Mr. Basha here at the podium for a presentation. Paul?

Transportation Director Paul Basha: Mayor Lane, members of the City Council, my name is Paul Basha. I'm the transportation direction for the citizens of Scottsdale. We're here before you this evening pursuant to the City Council strategic objective of advancing transportation. We have three recommendations to you this evening. We would like three separate votes. Obviously the three issues are quite related.

We'll start with the Camelback Road trolley. Currently we have a City of Phoenix bus route on Camelback Road. It's bus route 50. It comes from the west into the City of Scottsdale and terminates at the Scottsdale community college. We would like to change that bus route. We would like that bus route to terminate at Scottsdale fashion square and then we would like to operate our own trolley from Scottsdale fashion square to Scottsdale community college. The second item before you refers to the downtown trolley. Currently the downtown trolley is funded by transportation operating revenue. We would like to change that funding source to the hotel bed tax.

And the first recommendation before you this evening is to discontinue the day tripper. That trolley operates -- excuse me -- that trolley is funded by the hotel bed tax. So essentially we want to discontinue the day tripper, take the hotel bed tax funds and use those for the downtown trolley, then take operating funds that in the past that have been used for the downtown trolley and use those for a

new calm you will back road trolley. Last year the City Council directed us to operate the day tripper for at least one more year.

There were essentially three reasons to operate the day tripper for one more season. First, the -- the Super Bowl related events. Secondly we wanted to increase frequency from once every 30 minutes to once every 15 minutes. And then thirdly the City Council directed us to spend \$30,000 of hotel bed tax funds specifically to market the day tripper. So that was accomplished.

This particular slide shows last year's average daily ridership, and this year's average daily ridership, October through February. In the yellow column those are last season. In the red column, those are this season. The highest ridership bus or trolley route in Scottsdale is the Scottsdale Road bus route 72. The next two, the second and third highest bus our trolley routes in the city are two trolley routes operated by the City of Scottsdale, the Miller road trolley and the neighborhood trolley. The day tripper is here next to last. You can notice there's not much of a difference between last year and this year. The ridership did increase approximately 13%. The day tripper operated only 96 days last season, and all the other bus and trolleys operated 365 days each year.

This slide shows the cost per rider of all of our bus and trollies. This is for the last complete fiscal year. The fiscal year 2013, 2014. The current fiscal year doesn't end until June 30th so we don't have that data. Last year the day tripper was our second highest cost per rider bus or trolley in the city. This year we increased the cost of the operation substantially and the ridership increased minimally. So comparing the current season cost per rider of the day tripper to last year's cost per rider for all the other bus and trollies we have this graph. The cost per rider increased from approximately \$7 to approximately \$10.50 per rider. The other bus and trolley routes did not see a substantial increase in cost, and we anticipate that the ridership will be approximately the same. So this is an accurate comparison. The day tripper is simply very expensive service, especially relative to the number of people who use it.

[Time: 02:31:24]

Mayor Lane: We do have a request -- a comment or question from Councilman Phillips.

Councilman Phillips: Thank you, Mayor. We can do this slide, too, but the slide before it, can you go back?

Transportation Director Paul Basha: This is the previous slide, sir.

Councilman Phillips: Cost per rider -- well, it would be the one before that, then. Ridership.

Transportation Director Paul Basha: I'm sorry, Councilman Phillips.

Councilman Phillips: There you go. So the average daily -- October through February. Now, the day tripper is only three months or four months?

Transportation Director Paul Basha: Mayor Lane, Councilmember Phillips, that's correct. The day tripper is three months.

Councilman Phillips: Three months. So are you equating the three months over the 12 months like bus 72 which has the most? Because -- do you see what I mean? Otherwise the day tripper -- you would have to take whatever that is times four to get really what it would be if we did it for a full year.

Transportation Director Paul Basha: Mayor Lane, Councilmember Phillips, this is on an average daily basis. So it's the number of riders over the number of days of the service. So for the day tripper it's the total number of riders divided by 96 days nor the other bus and trolley routes it's the number of riders divided by 365. So it is a legitimate apples to apples comparison. In all cases it's the average daily ridership.

Councilman Phillips: Then going back to the cost one, you did that the same way?

Transportation Director Paul Basha: Mayor Lane, councilmember Phillips, that's correct.

Councilman Phillips: Thank you.

Transportation Director Paul Basha: Thank you, sir.

[Time: 02:33:11]

Mayor Lane: Thank you, Councilman. Mr. Basha.

Transportation Director Paul Basha: Again, the cost per rider for the day tripper is substantially greater than the cost per rider for all of our other bus and trolley routes and it's over 50% greater than the cost per rider last year. So this is the summary comparing this last season of the day tripper to the season one year ago. We increased the frequency by 100% from once every 30 minutes to once every 15 minutes. We increased the budget from 180,000 dollars to 270,000 dollars. That's a 50% increase. And that excludes the \$30,000 of marketing funding. This is only the cost to operate the trolley. There was a 13% increase in ridership, and that equates to a 52% cost per rider increase.

Some people have maintained we need the day tripper operating for other reasons than transportation, and those other reasons are related to marketing to our -- to our tourists and potential tourists. As many of you are aware, I was a consultant for 13 years and I very, very well understand the need for marketing expense. I also understand it's not always easy to calculate the exact direct benefits of marketing costs. However, when I was a consultant and I was spending time and money on marketing, it was my personal time and it was our company money that we were spending in our marketing endeavors. The day tripper is not spending hotel money. It's not spending personal money. It's spending tax money. And whenever we spend tax money, the burden of care, the burden of responsibility is much, much greater. We simply have to be accountable to the taxpayers when we spend taxpayer money. The day tripper spends taxpayers' money. We need to be accountable for that.

This information on the screen before you indicates that the day tripper is a failure. Government is often criticized in two respects, one is we should operate like a business, and the second is when a government program begins it never ends, even though we maintain that we promise we'll reevaluate it every year often it's superficial and the government program just continues in perpetuity. We submit to you that this particular accountability of the day tripper funding would not be acceptable to a private business. You simply would not spend this kind of money on a failed program. Secondly, we submit to you that the day tripper is a failed government program and it should be discontinued. A greater issue on both of those two is that we could spend the money much more intelligently with much greater benefit, and that would be on the downtown trolley.

This particular slide shows the last 10 years of ridership for the downtown trolley any gold and the day tripper trolley in the purple color. Notice from the fiscal year 2008, 2009 to fiscal year 2009-2010 the downtown trolley experienced a 40% decline in ridership. That's because we changed the frequency from once every 10 minutes to once every 15 minutes. Dramatic decline in ridership. We would like to increase the downtown trolley ridership again back to that 10-minute frequency and return the downtown trolley to this level of daily ridership and have it be successful once again. Again, this particular slide shows the 10-most recent complete fiscal years.

The next slide also compares the downtown trolley and the day tripper, but this is the last 12 months. Each of these represents one month. This begins April of last year and ends last month, March of this year. Gold is the downtown trolley, which operates 365 days a year. The purple color is the day tripper, which operates only 96 days, essentially three months and then a little bit of time in December. Notice the downtown trolley had substantial ridership during the peak months of November and December, almost double the day tripper ridership in November and December. We would like to return the downtown trolley to even greater ridership and greater success by using the hotel bed tax that has been dedicated to the day tripper and instead use that dedicated to the downtown trolley.

A formal survey was accomplished this past year regarding the day tripper as was done one year ago. Our tourism and events department contracted with a company that specializes in surveys, and they surveyed passengers on the day tripper for two weeks in January, two weeks in February and two weeks in March. They spoke with 148 passengers in those six weeks. And they asked those passengers a series of questions, and some of those questions pertained to where they reside. The results of that survey were that 54% of the day tripper riders came from outside the City of Scottsdale. 46% came from within metropolitan Phoenix. And the last number on the screen is most important to recognize. Fully one quarter of the people riding the day tripper were people who worked in Scottsdale. It was basically a commuter service and it's free. It's free to passengers. Those people would just as readily be able to use route 72 and pay a fare to ride the bus. The day tripper is providing free commuter service for one quarter of its riders.

Subsequent to the Tourism and Development Commission meeting last month and the Transportation Commission meeting last month, we in the transportation department surveyed the people who were riding the downtown trolley. This was an informal survey. We do not use an outside consultant. We acted quite quickly after comments made to the Transportation Commission. And in a four-day

period in March we were able to speak with 583 passengers of the downtown trolley. What we learned was 85% of the riders on the downtown trolley came from outside of Arizona. We also learned that 8% of the downtown trolley riders came from outside Scottsdale, still within the State of Arizona. 4% were people who resided in Scottsdale and 3% were part-time residents. I apologize for having to say this, but let me say it, when we were before the Transportation Commission a person stated that the downtown trolley did not serve tourists. They stated that the downtown trolley had a multitude of purposes, and that's why we took it upon ourselves to quickly survey passengers on the downtown trolley. It was certainly our opinion from operating the downtown trolley and from being in the downtown area that the vast majority of the people on the downtown trolley were, in fact, tourists from outside the state, and this data confirms it. I ask you to compare the 93% of the downtown trolley riders coming from outside Scottsdale to the -- whatever the number was -- 56%? Sorry, 54% of the day tripper riders that were from outside Scottsdale. The downtown trolley serves tourists of Scottsdale much more so than the day tripper serves tourists to Scottsdale.

I would like to show you a few slides about the downtown trolley routes. This is the route that we had in the past when we used to have 15-minute service. From a transportation perspective, it's not a fantastic route. Frankly it has too many turns. But it operated fairly well. This is when our ridership was higher, approximately 450 per day. A few years ago when we had reduced funding we decreased the downtown trolley ridership -- sorry -- the downtown trolley frequency from once every 10 minutes to once every 15 minutes and we changed the route. And this is the current downtown trolley route. We still have a number of turns in it. We also try to serve a residential area at this location. We are in the process of modifying that route. Our goal is to reduce the cost of the downtown trolley operation as much as possible so we can increase the frequency of the downtown trolley thereby serving our downtown Scottsdale tourists even better, returning the ridership to the high levels that we had several years ago.

This next slide shows our currently proposed downtown trolley route. We made a number of modifications. We have decreased the number of turns, which is always positive. We have also eliminated the portion of the route on Indian School Road and Scottsdale Road -- sorry, Indian School Road and Drinkwater Boulevard for two reasons. First, there weren't many people getting on the downtown trolley from this residential community. Secondly, the trolley simply does not operate well on multi-lane streets and relatively high speed streets. The trolley operates best on local streets where our tourist oriented businesses exist.

We have been in frequent collaboration, frequent conversation with our convention and visitors bureau and with one member of the tourism and development commission who is very familiar with the downtown trolley and we've modified our proposed route according to those conversations. For example, we wanted to end the downtown trolley just over the cross-cut canal bridge where there's a horse statue and a round-about. That would eliminate less than five minutes on the route. The convention and visitors bureau told us we needed to serve Scottsdale Fashion Square. It absolutely needed to continue to Scottsdale Fashion Square. So we're continuing to recommend that. We also wanted to use 2nd Street because it would be a more efficient route than using main street. However, the convention and visitors bureau told us that their clientele desperately -- I shouldn't say desperately -- definitely wanted the route to stay on Main Street, and the reason is very,

very important. What the convention and visitors bureau told us is their clientele, their tourist-related businesses on Main Street wanted the tourists to be on the downtown trolley to ride past the tourist-related businesses on main street so that they would get off at stops and then shop in those businesses. Further evidence that the purpose of the downtown trolley is to serve tourists. Secondly, this little street right here is Brown Avenue. This street is Winfield Scott. I think it's an Avenue. Pardon me. And we had wanted to eliminate one of these turns and have the route continue on over to Winfield Scott and then go straight from here. Again, the convention and visitors bureau and the representative from the tourism and development commission told us we needed to keep the downtown trolley on brown Avenue because there are tourist-related businesses on brown Avenue. We couldn't relocate it to Winfield Scott because those are office buildings. Again, further evidence the downtown trolley serves tourists and tourist-related businesses.

On to our third recommendation, CAM Camelback Road bus route 50. This is the current frequency of bus route 50 operated by the City of Phoenix in both Phoenix and Scottsdale. The first set of numbers is how often the buses arrive in the City of Phoenix west of 44th Street. This is relatively good frequency. During the peak time periods in the morning and in the afternoon we have 10-minute service. Bus arriving six times per hour. We have no buses in the City of Scottsdale that operate appear that frequency. Middle of the day and evening it's 30 minutes. Also notice that the bus ends at 10:00. The current bus route 50 in the City of Scottsdale, the border between Scottsdale and Phoenix is 64th Street, the frequency varies from 20 minutes to 60 minutes. Frankly there is no mechanism to determine when the bus is going to arrive unless you look at a schedule. For example, the first bus in the morning to the second bus in the morning there's a 20-minute difference. Second bus to the third bus, 20-minute difference. Third bus to fourth bus, 60 minutes between those buses. It's simply unreliable and unpredictable.

We can do better than that. We would like to convert the bus route 50 on Camelback Road operated by the City of Phoenix to one of our own trollies, the City of Scottsdale trolley, where we control the frequency, we control the operation and we can provide much higher ridership. To accomplish that we need funds. Furthermore, the bus changes can only occur every October and every April, and it makes perfectly good sense. All of the bus routes that serve multiple public agencies and cities must be coordinated and so we have to make those decisions twice a year. We make those decision in October and April. In order for the Camelback bus road change to occur in October the city much Scottsdale needs to commit to that change now in April. That gives us six months to coordinate with our adjacent neighboring cities. For Camelback that means City of Phoenix and City of Glendale. Then we can operate that come October. If the City Council this evening does not commit to the Camelback trolley this evening, we would not be able to operate it come October. We'd have to wait until April of 2016 and we would like to begin that operation this fall. Incidentally, we've been in regular communication with the City of Phoenix and they are very much ready to make this change. They will operate their bus at 20-minute frequency to Scottsdale fashion square, and then we would operate the Camelback trolley at 15-minute frequency from Scottsdale fashion square to Scottsdale community college.

We also would make one slight change in the route. This is the existing route. Notice that it moves from Camelback to Chaparral on Hayden road to extend over to Scottsdale community college. We would like to use Granite Reef road instead of Hayden road and there are several reasons for that

change. First, this route serves the Scottsdale culinary institute, which is frequently utilized by -- whose students frequently utilize bus and trolley service. Secondly, it serves Scottsdale shadows much better. It serves some hotels along Camelback Road better. And it also serves the residential neighborhoods in the vicinity of Granite Reef road much better. We think this slight change in route would also increase ridership.

So this evening we have three recommendations. Our first recommendation to you is to discontinue the day tripper. Our second recommendation, then, is to take the \$300,000 in hotel bed tax monies that were being used for the day tripper and instead use those for the downtown trolley. We estimate the cost of the new route at 10 minute frequency for 10 hours a day, 365 day as year, to be \$450,000. So we're suggesting to the City Council that two-thirds of that funning come from hotel bed tax and one-third of the funding come from our transportation fund operating budget. We would then use the \$300,000 that was formally dedicated to the downtown trolley and use that for the new Camelback Road trolley. The new Camelback Road trolley would cost approximately \$585,000. So again, we're not asking the hotel bed tax money -- we're not -- we're not asking for transferring funds to completely cover the cost of the Camelback trolley. We're asking for \$300,000 from the day tripper to go to the downtown trolley, that's hotel bed tax money, and then \$300,000 that would be now available for other trolley service to transfer from the downtown trolley to the Camelback Road trolley, and you may have seen the email we sent you this morning. We had an error in the council report. We are asking for this third recommendation to be a total of \$585,000 for this third recommendation. As councilmember Phillips mentioned earlier, I want to reiterate, the day tripper, we were spending \$300,000 for 96 days. By discontinuing the day tripper, we will have 365 days of service for both the downtown trolley and the new Camelback Road trolley. Mr. Mayor, that concludes my presentation. Be happy to answer any questions you may have.

[Time: 02:53:16]

Mayor Lane: We do have a couple requests to speak. I will go to public comment. Please stand by. I'm certain we'll have some questions and comments for you. Start with Jo Ann Handley, followed by Steven Olmsted.

JoAnn Handley: I'm Jo Ann Handley and I'm a Scottsdale native. In fact, where my -- I'll give you my old address. That's 6936 Main Street, which is now a restaurant. That house was built in the 1930s and it was on the edge of town. I had fields around us. I am here to say that I am for the downtown trolley. I'm kind of sorry we have to cut a little bit back but I like the increase in the every 10 minutes and I can tell you that being at the Scottsdale historical museum when I tell the visitors if they want to go up to fashion square, if they want to go to 5th Avenue, we've other got a trolley and it's free and they say, free? I don't believe it. And I said, yes. That way you can get around the old town, downtown part, and so I think it is a real, real asset that we have this downtown trolley. I'm sorry that the day tripper didn't pan out. I think it would have been an asset -- and I wonder if did the hotels really let the people know that there was a free trolley that they could come down to fashion square or wherever else? And I think it's a great idea that you have the Camelback -- that's a relatively new one you have put in, and I like that idea. Now I can tell people, well you can take the downtown trolley and you can go up to fashion square and you can go over to Scottsdale community college. And I think that's a

great -- and of course we have the neighborhood which goes south and I tell people you can get on the downtown trolley, catch the neighborhood trolley, and then you can catch the orbit, which is Tempe's trolley, and you can go down and you can get on light rail. So these trollies are a great way and I hope that you will approve the downtown and the Camelback trolley. Like I say, I'm sorry about the day tripper, but we'll take what we can get. Thank you.

[Time: 02:55:52]

Mayor Lane: Thank you, Jo Ann. Steven Olmsted?

Steven Olmsted: Thank you, Mr. Mayor and council. I am a Scottsdale resident. I'm actually at 19032 North 91st Street. I know on the commission we are remiss in doing that enough. Just a couple quick comments. The Transportation Commission heard three separate presentations on current and potential trolley enhancements under the program roll-out and we couldn't be more encouraged by what staff has developed to date. The Transportation Commission recognizes that bus and trolley routes function best when they serve multiple community transportation needs which these proposed changes provide. The Transportation Commission views the enhancement of the downtown trolley would benefit tourists and residents and therefore should be eligible for tourist -- tourist tax revenue usage to partially fund. Transportation Commission supports this discontinuing the day tripper and the Transportation Commission voted 6-0 in support of all three of these proposals and in closing I would just encourage the council to support the proposed items and really participate in the trolley redevelopment building that new foundation. Thank you.

[Time: 02:57:32]

Mayor Lane: Thank you, Mr. Olmsted. That completes the requests to speak on this item. So we'll go to some of the questions and comments from our council and start with Councilman Phillips.

Councilman Phillips: Thank you, Mayor. I have a question for you Mr. Basha, that's a well thought-out plan and a great presentation. We appreciate that. Or I do, anyway. Back to the Camelback route, you're saying that the Phoenix bus 50 goes from 44th in Phoenix up to Camelback and Scottsdale Road and then we take over from there. Is that what you were saying?

Transportation Director Paul Basha: Mayor Lane, councilmember Phillips, that's what we're proposing yes.

Councilman Phillips: And they're every 20 minutes and you're every 15 minutes?

Transportation Director Paul Basha: Councilman Phillips, correct.

Councilman Phillips: Doesn't that kind of not work if you take the one bus you will be waiting a different time.

Transportation Director Paul Basha: You're exactly correct. If people are coming from Phoenix and

traveling to Scottsdale community college, there will be a disconnection of time. Frankly we're happy with people staying at Scottsdale Fashion Square for a little while. In all seriousness, it is a very good place to stay. It's active, there's things to do and it is a very comfortable setting. The best the City of Phoenix could do for us was 20 minute service. They have other considerations and concerns, among them serving the City of Glendale on the west end of the Valley. We were left with two choices. We could either have 20-minute service for the Camelback trolley and then match up exactly with the City of Phoenix, or we could have better service at 15-minute frequency. We believe that a number of our residents or students at Scottsdale community college or employees or instructors will be happier and better served with 15-minute service on the Scottsdale portion than with 20-minute frequency. It's certainly our hope that in the future the City of Phoenix will be able to provide 15-minute service on their portion of the route as well.

Councilman Phillips: Wasn't there some history, something about Phoenix was going to cancel bus 50? Didn't they do that or -- am I thinking of a different bus route.

Transportation Director Paul Basha: I'll give a little bit of answer to that and then asked Madeline, our transit operations manager to speak as well. I'm not aware of any interest in canceling route 50.

Councilman Phillips: Might have been a different route. I just remember there was a big uproar about a year ago about a bus route being canceled. Maybe that was one on Thomas. It was a different one. So you don't have to waste your time.

I was one of the ones that said let's have the day tripper trolley, let's try it one more time, let's see if we can't get the hoteliers to push the residents -- the guests to take it and try to make it work. It just didn't work. Paul, I'm sorry, we wasted your time on that. We tried. Maybe clientele up there just don't feel like taking a trolley or something. So it didn't work. I think this is a well thought out plan. Seems to be good. Jo Ann is for it. So I guess I'm for it, too. Thank you.

[Time: 03:01:14]

Mayor Lane: Thank you, Councilman. Councilmember Korte?

Councilmember Korte: Thank you, Mayor. So it was a year ago when we were talking about this and I, too, was very hesitant to continue the day tripper. Number one, I never liked the name. But I was persuaded by the tourism industry and members of the TDC at the time that increase marketing and increased frequency would increase ridership, and that clearly is not the case. It didn't -- it didn't turn out to be true. So after five years of low ridership and high cost, it really is time to cut bait. We have received a few emails from hoteliers and some members of the tourism industry wishing to continue the day tripper and saying that the downtown trolley does not serve tourism. And I just have a hard time believing that, and, Paul, it was a great presentation, so thank you, but the notion that the downtown trolley does not serve tourism conflicts with their very own five-year tourism strategic plan. That strategic plan that we all adopted last year was very clear for the need to enhance our downtown and it specifically identified downtown as the place to start. And that transportation within downtown is a strategic focus area.

So I support discontinuing the day tripper -- well, so, I will make a motion to discontinue the day tripper, fund the downtown trolley with \$300,000 in hotel bed taxes that were previously used to fund the day tripper, and \$150,000 in transportation department operating funds, and, three, to fund the new Camelback trolley with \$585,000 in transportation department operating funds.

[Time: 03:03:27]

Mayor Lane: I'll second that. And give myself the priority to speak toward it a little bit with a little bit of a question. I, too, wanted to say, Paul, I think it's an excellent presentation from the standpoint of some factual information, evened with the idea of some informal surveys in the month of March with regard to how to establish what's going on with the downtown trolley, I think that's it just proofed what most of us believed anecdotally, contrary to some of the comments that maybe have been made to you to the contrary, but that presentation between the types of ridership, between the -- what we have labeled the day tripper and the downtown trolley is really substantial and as we talked about this -- not quite a year ago, but nevertheless when we talked about one more try at the day tripper, one of our great concerns was, and it seemed to be also indicated in your stats, even though modestly because there's only a modest amount of activity on that particular day tripper route, that it would denigrate the ridership on 72, and your bar graphs indicate relatively modest and small but nevertheless I think it proves positive to exactly the trade-off of that, which is very heavily subsidized even though a very successful bus route for it. It still is significantly subsidized by the taxpayers and still we have to consider when we throw up free -- free ride versus that ride on that.

So for all the reasons you have indicated I think -- and I very much appreciate the thought process that's gone through in your presentation and frankly in your studies on the routes, inclusive of the Camelback route 50, of its utilization and its prospective utilizations and fine tuning even the downtown traffic pattern and all the considerations. I think it was a very good -- very good to hear from you as far as that's concerned, that is helpful not only on just the idea of the day tripper versus downtown trolley but frankly how we are working to make sure to ensure greater and greater success for the use of those kinds of -- that mass transit to facilitate not only tourism but our downtown activity on the whole, inclusive of residents and that. So I'm certainly strongly in favor of the motion as I mod with the second.

I did have question. When you sent over to us the correction of the 385 to the 585, you did make a mention the fact there were grant funds involved, and I know most of when you talk about the sales tax, you're talking about the dedicated transportation sales tax use, is that correct?

Transportation Director Paul Basha: That's correct.

Mayor Lane: So that is -- those are funds that are dedicated to just this application number one. I think the public needs to know that isn't just standard general funds that we're pulling on to perfect this transportation system. So I think that's positive. And you may have said it and forgive me if you did, I just wanted to make sure that was emphasized. The other was you did mention the grant funds but you didn't indicate to what extent you thought that there were matching grant funds from some

other source that would reduce the impact on either the transportation funds and/or -- well, the transportation funds.

Transportation Director Paul Basha: Again, I'll provide a bit of an answer and then ask Madeline Clemann to provide a greater answer. But the transportation funds come from several different sources. The dominant source is our transportation dedicated sales tax, and there are some grant funds included in that as well. With that said, Madeline can provide a greater answer.

Mayor Lane: I presume some kind of matching funds issues so we have to utilize certainly our --

Transportation Plan and Transit Program Manager Madeline Clemann: Mayor Lane, members of the council, yes, we get small grants, the total annual amount is somewhere between 500 and 800,000 a year in 5307 federal grants and different federal programs and then in addition our vehicles are paid for, at least 80% to 92%, by federal funds, and the rest is local match.

Mayor Lane: Just for the record, our vehicles do come through common sourcing through Valley Metro or no?

Transportation Plan and Transit Program Manager Madeline Clemann: They did the last 13. The next eight we are again going to go through a co-op but a different one Akron, Ohio this time.

Mayor Lane: Interesting. I don't need to get into that. It's not agendized. So I won't -- in any case, that was my really only question. Other than that, I very much appreciate your report. Councilman Smith?

[Time: 03:08:31]

Councilman Smith: Thank you, Mayor. Are we really agendized for a motion? Is this direction? Which way does it go? Maybe it doesn't matter.

Mayor Lane: I believe --: All you need to do is put your name up here. Mr. Washburn, yes?

City Attorney Bruce Washburn: Thank you. Let me take this opportunity to clarify the use of motions during these discussions -- presentation, discussions, direction to staff. It's my opinion that since the council can give direction to staff the council can make clear what it's direction is by voting, in other words, it doesn't have -- the staff doesn't have to sit here and kind of extract what's been said and --

Mayor Lane: We've gone both ways.

City Attorney Bruce Washburn: Right. But you don't have to vote if you don't want to, if you just want to do it by general discussion but I think the council can vote with the understanding that whatever you vote on is not a final decision. It's just direction to staff and whatever staff is going to do with that direction has to come back to council for final decision. So the vote is really just to give direction without taking any final action.

Mayor Lane: I see. And I'm sure that that's what Councilmember Korte meant, and I also assumed.

Councilman Smith: Then I'm join the parade and I will support the non-motion direction or whatever it is, and I will say, too, Paul, it's a good presentation. But more than that, a good analysis that went behind it. We have limited resources to work with here in the city and I think in every instance we need to achieve the best allocation of those resources that we can, and this is a prime example. The day tripper has sadly -- it never made sense when it started and it didn't make sense for five years and it will be a pleasant day to say good-bye to it. But more importantly, you have found alternative utilization for both equipment and dollars that I think make a lot of sense, particularly establishing a route to go out to Scottsdale community college where they are there probably are a great number of riders that would enjoy and utilize the kind of transportation that we could provide. So in every respect I think it's a well thought-out approach, and I would agree with number one, number two, and number three. Thank you, Mr. Mayor.

[Time: 03:11:14]

Mayor Lane: Thank you. Councilwoman Klapp?

Councilwoman Klapp: I think that Councilman Smith was reading my notes because I wrote down we have scarce resources and we should be allocating the money appropriately. So I, too, agree that this was a good presentation. I've had the benefit of meeting with you privately for you to go through it and I understood your logic at that time, you even explained it even probably more succinctly today than you did the first time, and so I agree with the motion. I sat on the economic development subcommittee the very first time we decided to do the day tripper. So I have to take some responsibility for that. I have to take responsibility for that. And it was an attempt to help serve the hotels along Scottsdale Road and -- but I do recall at the last meeting I said that this -- unless it pans out this time with the Super Bowl and other events that were taking place that I would not be supporting it again, and obviously it didn't. We through more money at it and got less results. So as you said, as a business person, I would certainly not spend my money again for something like that because the results were not good. So your explanations on how you're going to do this were great for me.

I do recall that I was in a meeting a couple months ago at Scottsdale community college and got in a conversation with an elderly woman from villa Monterey who was talking to me about trying to take the bus down Camelback to get to Scottsdale community college and now she has an alternative because she wants to attend classes and go to meetings there ant hasn't had a good way of doing it. This improves her situation and of those people who live near Camelback Road that want to take advantage of programs and classes and things that are available at Scottsdale -- at Scottsdale community college including all the students that might be coming from Phoenix and wanting to go to the college as well. So I really applaud the concept of how you're reconstructing the Camelback Road troll' to connect to the bus and that's all we have in Scottsdale, really, is buses and trollies, and you have to figure out how you're going to connect those two so we can best use our transportation dollars in order to utilize bus services and trolley services to serve the City of Scottsdale and in the last year I think you've had a lot of great logical arguments about how we can do that, how we can change bus service so

we can connect to all these other services so those people who do want to get on the light rail down in Tempe can do it by using some other -- of the other legs of transportation we have available. So this is just an extension, I think, of what you're thinking about as far as how our transportation network can work with the very limited amount of money that we have and how we can best allocate the funds.

So I really appreciate the time and effort you put into this and the thought you put into it and the extra study you did to try to determine just how many tourists were on the downtown trolley versus how many were residents. That was helpful. And so thank you very much, and I fully support your recommendation.

[Time: 03:14:50]

Mayor Lane: Thank you. Vice Mayor Milhaven?

Vice Mayor Milhaven: I'm very excited about our improving people's ability to get around our city. So thank you for helping us move one of our critical priorities forward. While I'm in general agreement with most of the comments made here today I'm going to take slightly different tact and I would not be supporting the current suggestion only by matter of process. What we've heard from the tourism community is that the TDC has not had an opportunity to look at the day tripper data and make a recommendation and concerns that the survey done in March really excuse the tourism ridership. I think there's some validity to that. And so while I believe some additional study and research will probably confirm the downtown trolley is substantially used by tourists, and that the day tripper may not be something we want to continue out of respect for the tourism community I would want to give them -- the TDC the opportunity to consider the data, make a recommendation and also do another survey that may support what the mix of sales tax versus bed tax is to support that.

So for me, today, I would say yes, let's move forward with the downtown trolley. Yes, let's move forward with the Camelback trolley with the plan to support it by sales tax and revisit the day tripper after the TDC opines on it and revisit what portion of the bed tax would be used to support the downtown trolley based on maybe a more normalized number. Because my office is here in downtown and I know in March there's tourists all over the place that is not the same as it is the rest of the year. So I think it was a bit excuse. But I'm generally in support. I just think we need to respect the process and the TDC.

[Time: 03:16:44]

Councilwoman Littlefield: I do support your recommendations, Mr. Basha. I think you've done a very good job. I know a lot of the people who supported the day tripper worked very, very hard to try to make it work, and it just doesn't work. And sometimes you have to say, hey, we've got to pull the plug. It's not worth the taxpayers' money and we need to try something that would be better and that would work better and have a better time schedule. I do support the downtown trolley. I like having it more frequently. I like having the movement that you've suggested on the route. I think that makes a lot of sense. And I know from personal experience there is a need at SCC for a trolley that can be

depended upon to move people. A lot of adults education classes held, especially at night, they don't have transportation, and they are very, very interested in doing that and having a way to get back to mountain shadows and that area in there and Camelback. So I support this. I think it's a good idea and I think we are on the right track. Thank you.

[Time: 03:17:56]

Mayor Lane: Thank you, Councilwoman. With all due respect, and I want to apologize for saying this before I say it -- no, with all due respect I do want to say that the day tripper is no longer running right now. There's not really a decision to be made on it in any case because it's something -- it's considered year to year. If they want to weigh in -- I mean the TDC or anyone else in the process, there's certainly time for that to be considered again. But I would say on the basis of your analysis and with all due respect to the concern and consideration for the TDC not having weighed in on what -- our direction we're giving tonight, I'm not sure that it's necessary for us to vary from that, at least that plan.

And, Mr. Washburn, I'm going to ask you this, because this goes between us, consensus versus a vote as to what direction to give. If all members, excepting one, want a specific direction, what weight does that one have to vary the direction?

City Attorney Bruce Washburn: Well, for example, in this particular instance, the actual final legal action that the council will be taking on this matter will be when the budget comes back, because that's where these items will be reflected. That one member can at that time raise the same point they're raising at this time. But I think in general the majority -- the sense that the staff gets from the majority what should be in the budget will probably be what shows up in the budget. Does that answer the question?

Mayor Lane: I guess what I'm saying what shows up in the budget as we express right you now is no provision for the day tripper. Somebody wants to make -- sorry? Yes. The consensus is all three of these item. That's the consensus. That's why I say if one varies from that and says let's leave the day tripper theoretically in the budget until they get to weigh in on it, that's my question. If we were to vote and say six of us agree with one, two and three, that would be the direction, the budget would come back to us without the day tripper. If they want to make a case for it next year, like we've done in years gone by, that's another situation. It just wouldn't be in the budget.

City Attorney Bruce Washburn: For that matter they could make the case at the time the council is voting on the budget to put it in.

Mayor Lane: Absolutely. True. But I'm -- I'm thinking what comes to us -- I've been down this road before, and I've felt the pain of this. So I mean, that's -- that's my interest is to whether or not a voted consensus, if you will, is very specific, and the minority would then be in the minority complete in the minority. Anyway, that's my concern. In this particular case what I guess I'm saying is I don't want to see it on the budget. Yeah. Okay. And if they want to make the argument to put it on the budget, it will have to take place at the time. Okay. With that resolved and thank you very much, Councilwoman Klapp?

Councilwoman Klapp: I just wanted to further resolve it by calling for the question.

Mayor Lane: We're right in the middle of –

Councilwoman Klapp: So we had can vote on it.

Mayor Lane: We have that motion for the three items.

Councilwoman Klapp: And a second. Let's vote.

Mayor Lane: I was talking theoretically. So we have the motion for direction to follow one, two and three of the presentation. It's been seconded. So we are then ready to officially vote. All those in favor please indicate by aye and register your vote and nay if you're opposed. And without a great deal of surprise we have 6-1. Very good. Thank you very much, Paul. We all appreciate it.

Transportation Director Paul Basha: Thank you all very much.

ITEM 33 – PROPOSED FISCAL YEAR 2015/16 OPERATING BUDGET AND CAPITAL IMPROVEMENT PLAN

[Time: 03:22:33]

Mayor Lane: We move on to item 33. That's a proposed fiscal year 2015/16 operating budget and capital improvement plan. We have Judy Doyle moving to the podium. Our budget director. Welcome, Miss Doyle.

Budget Director Judy Doyle: Good evening, Mayor and members of the council. Tonight we wanted to provide to you a high level summary of the proposed operating and capital budget for fiscal year 2015/16. As well as discuss some recent budget requests that have come forward for your consideration. And to give you, council, the opportunity to discuss and possibly give direction on some additional budget items.

I'd like to first walk through the remaining budget review schedule. In that two weeks on April 28th we will continue our budget discussion focusing on the 3% to max citywide pay program. Our human resources director Donna Brown will be coming forward with some recommended guidelines on how that pay program funds should allocate. Then on May 12th we will hold our public hearing and tentative budget adoption. It's at this meeting where we will set our maximum legal expenditure limits. During this meeting we will also finalize our citywide proposed rates and fees. On June 2nd we will hold a public hearing and have our final budget adoption. It's at this point where council can reduce or reallocate those expenditures that were tentatively adopted but we cannot increase our expenditure level during that final budget adoption. Then on June 16th we will hold our public hearing and final adoption of the tax levies.

Tonight's presentation will have multiple speakers. I'm going to kick off the operating budget overview. Dan Worth our public works director will present to you an overview of our capital improvement plan, Lee Guillory our finance director will speak to you regarding the 2% property tax allowance and how we were able to include that in the 15/16 budget without impacting property owners. Then Brent Stockwell will conclude the presentation and share with you requests that we have received from the Cultural Council and seek direction from you as to whether you would like to include those items in the tentative budget on May 12th.

Our city manager brought forward a budget that is balanced and incorporates council's budget priorities and policy direction and our general fund, our sources exceed our uses by almost half a million dollars. So just to note again that that budget did come forward balanced. Just wanted to give you a brief overview on the sources in the general fund. Revenues are up about 8.1 million over the '14/15 adopted budget or 4.32% and I wanted to highlight some of those items that are driving that increase that first being sales tax. We're looking at 2.6 million forecasted more in 15/16 than over that '14/15 adopted budget. Based on trends we are forecasting favorable projections in almost all categories. We're seeing almost 9% in automotive, 7% in miscellaneous retail and almost 10% in restaurants. The one exception to that is in construction. We are seeing a decrease of almost 22%, or two-and-a-half million due to that change in the tax code we have been talking about that became effective January 1st. The adopted '14/15 budget assumed reduced construction collections. However, we're forecast forecasting an additional \$200,000 reduction because what we're actually seeing is contractors canceling their licenses due to the change in the tax code.

State shared revenues are up \$1.3 million over '14/15. The majority of that is the state shared sales tax. Almost 5% increase. I am note that we did receive an updated revenue estimate from the Arizona legal of cities and towns. We're seeing about an additional 600,000 in revenue, about 400 of that is auto and an additional 200 thousand for the state sales tax. We received the updated estimate the day the proposed budget was released. So we will be including that updated estimate in the tentative budget. I don't want anybody to get too excited about that increased revenue because we also just received what our city's share of the cost for the Department of Revenue to provide tax audit services is 600,000. So it's effectively a wash for us. And that additional cost will also be included in the tentative budget.

Building permits and fees we are forecasting almost a \$2 million increase. We are seeing strong revenue collections for a fourth consecutive year. It's multi-family projects driving that as well as some expansions to area resorts. Westworld revenues we're projecting an additional 1.6 million in '15/16. We're seeing an increase in bookings both in frequency and type. The proposed budget also includes an additional \$3 million of one-time money from the sale of the old graphics building. Property tax we're seeing an 800,000 increase over the prior year, 200,000 of that related to new construction, and 600,000 related to that 2% allowance, which I mentioned Lee Guillory will speak to you later in the presentation.

Also just wanted to highlight for you some of the significant general fund increases. I know we've been talking about most of these through our budget discussions. The citywide merit pay increase. This is a 3% to max for employees who do perform well. This is slated for \$3.1 million for '15/16. The police

retirement at 2.4 million. As you may recall, on January 13th I had shared with you that we had received notice about a reversal of a pension reform change and that reversal had a significant impact to our employer contribution rate of over 7%. The state did give us an opportunity to phase that in over three years however we did choose to implement that full amount in '15/16. The police officer compensation on March 3rd, council gave direction to include the 3% fix in '15/16 for a cost of \$1.6 million, and then in year two we'll begin the 5% step program. The employer contribution of healthcare also increased 1.1 million over the prior year.

Also just wanted to share with you some of the general fund package requests that did come forward that we did deem to be priorities or must-do's if you will. Police overtime. The current '14/15 budget has almost 90,000 hours of overtime budgeted. However, looking at the five-year actuals, we're seeing about 122,000 hours that are being used. So we're adding a million dollars to '15/16 to align the overtime budget to be more with what we're seeing as a five-year actual trend. As you know, we continue to come before you every month with our monthly financial update, and they are over budget in that area. So we want to get that tried up. We also added 12 fire personnel, eight firefighters, three captains and one engineer for a cost of \$700,000. The additional positions will help address the results of the 2013 staffing audit where a need for additional personnel was identified to address firefighter vacancies, attrition and employee reliability factors. Additionally fire personnel are accruing vacation at a rate faster than we can offer. Basically there are not enough opportunities for the firefighters to use their accrued vacation time. Currently the fire department offers four vacation slots per day. We are actually accruing at a rate of almost 5 vacation slots per day. The cost for the 12 fire personnel is approximately a million dollars.

There's an additional 200,000 of one-time costs. However, we're able to offset some of that increase by our ability to reduce unscheduled overtime. Unscheduled overtime is currently 700,000. We can reduce that 500,000 and bring their '15/16 unscheduled overtime to 200 thousand. That's why you're seeing a cost of 700,000. And I'll know the ongoing cost once we get into '16/17 we can reduce that 200,000 for the one-time academy costs. The ongoing costs around 500,000. The photo radar contract, we're increasing 600,000. We're seeing an increase in the citations issued, primarily as a result of having more photo enforcement on our streets and in school zones. That this does have a net zero impact to our budget as there is offsetting revenue by the fines collected by our city court. Parks and recreation, we added 300,000 much one-time funding for our playground equipment and pool equipment for life cycle replacement. The county jail contract, we had to increase about 200,000 due to notice from the county of an increase in their costs.

We also will be in year two of our three-year phase-in of bringing FTEs back from the court enhancement fund to the general fund. The two positions slated for '15/16 are the court administrator and an executive secretary. We also have had the 3% contract increase for our Cultural Council, almost 100,000, bringing the total contract in '15/16 to 4.4 million. As I mentioned, Brent Stockwell will be coming forward later in the presentation with some special funding requests that they've brought forward. Tuition reimbursement, the last couple years we have added one-time funding to the budget for tuition reimbursement program. In '15/16 we have budgeted 75,000 for an ongoing program. It is slated within the five-year forecast.

Position changes, this slide highlights changes by division for a total increase of almost 23 full time equivalents or FTEs. What I mean by position changes are increases or decreases to that overall FTE count. It does not include positions that have moved within divisions. As you can see the majority of the increase is related to fire personnel. I can tell you I have prepared and planned to walk through each of those changes with you, but I know that it is getting late and I will be respectful of the evening. So I will just highlight that these are not all general funded positions. There are positions that are with enterprise funding, special revenue, transportation. I will also note that a number of the positions we were able to add with a net zero impact to the budget. Divisions were able to identify savings within their budget to cover the cost of the increase in those hours. And as you can see, there are also some divisions that were able to eliminate positions or hours within their area. The slot conversions, this is really a housekeeping item. The city's budget has always had funding in the budget for seasonal and temporary slots, as we call them. This is really just to be more transparent and true that up and equate them to a full-time equivalent, if you will for a total of a little over 32FTE. Again, no change in funding. The funding has always been there. It's just to get that FTE included in our calculation. Then those position changes totaling a little over 23 for a total FTE change of almost 55. The CIP contribution to comply with our financial policy, we have the 25% of construction sales tax at 2 million. That sale of our old city graphics building as I mentioned 3 million.

And for '15/16 at this point we do not have anything slated from the unreserved fund balance to transfer to our CIP. So with that I was going to hand it over to Dan Worth our public works director, unless there are questions that I can answer at this time.

[Time: 03:38:42]

Mayor Lane: Thank you very much for that, Judy, and we do have a question or a comment from Councilman Smith.

Councilman Smith: Maybe, Mayor, it's a question to you, do you want to have the questions on these packages in the sort of three pieces that they come to us or do you want to wait until the very end of the presentation?

Mayor Lane: I think that obviously they're interrelated but I think it would be good if you have questions about this specifically, specific to this, it might be useful to ask it now.

Councilman Smith: Okay. Going back to the slide that you had on the revenues being up 8.1 million dollars, and I -- I realize that you're comparing this to the 14/15 adopted budget, are you still comfortable -- I know the answer to that is going to be yes but I guess I have to skit anyway, are you still comfortable with this increase given the fact that in the current year we're running ahead of the adopted budget? So it's -- it's not 8.1 million dollar increase from where we think we're going to be. It's a substantially smaller increase and might there be room for this to grow?

Budget Director Judy Doyle: Mayor and members of the council, we are comfortable with this forecast. The majority of the revenue is sales tax. We do have a sales tax group that does put this forecast together for us, they are the expert on all those categories. We do have them take another

look at this, and they are comfortable with where we are. As you indicated, yes, there is always potential for change at year end.

Councilman Smith: I hope before we come out with a tentative budget maybe they'll take another look because we're running quite a bit ahead and it looks like there may be room for more growth. In Westworld you said you were going to have \$1.6 million of increase from the adopted budget. I looked through the book of what Westworld is predicting in terms of days of shows and so on. Their show days of horse shows are up 3.5%, non-horse shows are up 5%. And this revenue increase would be an increase of almost 30%. And I don't know whether you're the one that wants to answer that or anyone else, but that doesn't jibe for me. I wonder if we're just -- I guess I'm wondering if we're confident we're going to get a million-six more from Westworld. We'll pause.

Budget Director Judy Doyle: We can go back and take another look at the revenue forecasts for Westworld. This was a number that we had received from the group at Westworld and felt comfortable based on the marketing contract that this was a good estimate.

Councilman Smith: Just have them write up with what the horse show day increases an non-horse show day increases that they have. A question that I had on the expenses -- maybe it's not a question as much as it is just a comment. Maybe other people will comment as well. But obviously when we're going through the general fund expenses the 3% -- some of that is going to the police department and some is going to others, but the public safety retirement thing is almost all going to the police department. The compensation, 3% fix, all going to the police department. Some portion of the employer contribution of healthcare is going to the police department. The police overtime is going to them. It seems like almost everything that we're doing in here is an increase to the police department. In fact, their share of the total general fund budget is up substantially as a percent, and I guess I'm -- I don't mean this to be construed as in any way opposed to public safety.

I understand it's priority and everybody throws it out, got to watch public safety, but we're spending, if you count police and fire and the courts to handle the cases that come before them, more than 50% of our budget is going to public safety, and the kinds of increases that we're looking at here, it's just disproportionately making it each more so and I think at some point in time we've got to decide -- I guess I would like for somebody to help me decide here what's the right number to go to public safety? I mean, it's not just anything they want. I think the one that bothers me a great deal here is that we're budgeting another million dollars for police overtime, and as near I can tell the only reason we're doing it is because they keep spending it, and I think in the discussions we've had here we've asked repeatedly why do we need to spend this much money, and is this really a management issue? Suddenly we're looking at a budget and it says the way to fix this is tumble over and give them another million dollars. I'm not sure I'm comfortable with that logic.

You know where I am on giving the 3% fix, and we don't even have in here the cost of what the 5% step is going to be. When you look at the police department budget this year it's going to be a forecast of \$89 million. Next year it's \$94.5 million. I mean, it's the only budget that is going up -- in some cases the only budget going up but certainly the only one that's going up by \$6 million. And I guess if you're asking for an opinion about whether -- I'm not sure what you're asking tonight -- if you're asking if we're

comfortable with what we see here tonight, my answer is no, I'm not comfortable. I don't know whether we have to give more thought to some of these items or what we do. But this is -- the frustration here is that we are taking more money from the taxpayers and that's what it is, we are I will relishing in the fact the taxes are going up. I don't know who we think are paying the taxes. The citizens are paying the taxes and we are taking tax revenue from the citizens by simply passively sitting aside while the recovery comes upon us. We had this discussion when we talked about cutting back some on the food -- the tax on food sales at grocery stores to help some of the neediest citizens in the town and we said we can't do that. Now it becomes obvious why we can't do that, because we have to fund the mismanagement of overtime. We have to fund the fix. We have to fund all this stuff.

To me it is not a budget that takes into consideration the citizens of Scottsdale and the penalty that we are imposing on them because they are the ones who are paying these revenues. And we're saying we'd love to give you a decrease in the sales tax on food, we'd love to give you some other decrease, but we just can't because we have to spend it all. So I'm not comfortable with it and I can't make a motion that says I'm not comfortable with it, so I'll leave it at that.

[Time: 03:47:22]

Mayor Lane: It would be a little too vague. I share some of your concerns, but Councilman -- and thank you, Councilman. Councilman Phillips?

Councilman Phillips: Thank you, Mayor. After that I don't know what to say. To me public safety is number one, and I think that you rather pay a penny sales tax on your food or make sure that the police are watching over your house, I pick the police. But I am concerned about the police overtime because kind of shocked me when you said last year it was over 90,000 hours and maybe that's just justifiable, because I don't understand police, but it just seems like a lot of overtime. And to give them another million dollars, what I'm afraid is that next year they'll cover that and then go over again thinking in the next year we're going to give them another million dollars to keep covering it. I don't know if we have some kind of assurance that this is going to start going down instead of up. I'm not sure I understand how the overtime works for the police but overtime is a lot of money. Salaries really go up when you get overtime. In a lot of ways the guys think of to get that overtime because they make more money on the overtime than they do on the regular pay. I think that's a factor in that also. I don't know if council has some kind of assurance that's going to be looked into in the future and hopefully this doesn't keep going up every year.

As you as the 3 and 5%, I was for that. I think the idea police are getting everything is not true. The police were weren't getting anything for a long time and we're trying to level the playing field now. It's not going to be like this every year. This is the one year we have to take care of it. I think council is a board for. It's good for the city, your citizens and you can feel safe and that's what we want, to have people feel safe in Scottsdale. So I guess if there's any kind of direction it's to into the increasing overtime.

Budget Director Judy Doyle: I can let you know included in the proposed budget it's within the city auditor's budget we have funding set aside where we plan to do a staffing audit using an external audit

firm on the police staffing. So hopefully that will then correlate to some assurances on the overtime side as well.

[Time: 03:49:49]

Mayor Lane: Thank you. Councilwoman Klapp?

Councilwoman Klapp: You had mentioned that there was an additional 600,000 that was not in this budget that's going to be revenues, is that correct? What was that for again?

Budget Director Judy Doyle: The state shared revenues, the league sent us -- the day we released the update -- budget updated state shared revenue budgets. There are about 600,000 more in the general fund than what you see in the proposed budget.

Councilwoman Klapp: Thank you.

[Time: 03:50:24]

Mayor Lane: Thank you, Councilwoman. I share some of the same concerns, and I think it needs get on deck with this, and that is the fact that the 3% fix and the 5% step is something I have been concerned about and as things have come forward to us now for increases in tax rates as well as we've just seen some of the significant increases that we already have in the tax levy, I was wondering, number one, as to whether or not the property tax is up 800,000 due to new construction, which is going to be variable, we know that, but the 2% allowance, it is now at 600,000. So that is figuring in a new 2% allowance on top of new construction to say that we now have 800,000 dollars that we need to collect on the increase of the rate in order to balance this budget.

It was once said that it was affordable, the 3% fix, exclusively to the police department, was affordable and the 5% step was affordable, but it seems to me that there are some sacrifices that are having to be made and frankly I'm not sure where we're measuring it against tax -- or rather revenue or, sorry, expenditure reductions, but rather how we're going to increase taxes to accommodate it. In addition to that, I'm very concerned that we've got a substantial -- we're building in a substantial expenditure increase year after year with the program that we have determined previously or at least it's been recommended and will be in the budget this way as it is right now for public safety and specifically the police department. At the very same time we've got an overtime situation which teams to be unresolved other than to increase it in the budget. Not to address maybe what the root cause of it is or whether or not there's some controllable aspect. Then we run into the issue of the like-kind expenses that we ran into with the Super Bowl where we're some 300 to 350,000 dollars, the latest estimate I've heard, over the 500 to 550 that was already budgeted for that for some unknown reason. All of which not only does it increase our overtime expenditure and what we may end up having to cover, we could throw another million dollars on this and we will still be in under water unless we come to some better conclusion on it. Again, it almost is like -- there is an emotion to say I'm concerned and at the same time I've understood before we even have a study that there's an indication internally that we're overstaffed by eight positions in the police department and that there was a prospect that we

could move upon that to sort of offset some of this. There isn't any logic I can see in reducing staff, not that I am opposed to that. That would possibly solve an overtime problem. We don't have a handle on what's going on with overtime. Would it over exacerbate the issue. That's the way it would seem. And all of that, overtime included, creates the kind of problem, and I realize is the one-time issue of the payback from the retirement plan because of a reduction played previously but aside from that this is another area that continues to go up and up and up, and we're now I think on the tax payers side at 26.4% or thereabouts. I may not have that number exactly so. It's going nowhere but up. We're all sort of running around with -- like chickens with our heads cut off to figure out how do we resolve that issue, too.

I know we haven't received a number of the unfunded liability we're going to receive from the state as of yet. I understand, Jeff, you're shaking your head so I'm assuming we haven't received that number nor do we have any idea what we are going to be faced with, with that. So all the while we have a number of things set in motion that are only going to complicate that further. And so I'm asking that we take a critical look at how we get this funded, and at the same time keep the city in some reasonable shape, and that means the rest of the 2400 -- I mean, obviously the net of the police department -- keep them in some form or fashion satisfied and in a reasonably equitable situation with regard to how they're treated here by this council and by this -- by management.

I've got a concern, million dollars on increase on overtime, seems like we're throwing money after something we haven't gotten a clear picture what the heck is going on there. If we determine the only thing we did is somebody cut the overtime budget and therefore they were going to run and do overtime as they needed to and regardless of what had been allocated in the budget or authorized, I guess that's one way to look at it, but it doesn't sound like a real positive management approach to that situation. I also have a very big concern about it.

I'm not in favor of the 2% allowance, which is now calculated into the overall revenue stream and I know that was by majority vote which I was not part of but nevertheless it's in there. I'm particularly more distressed by the idea -- actually to tell you truth I thought we voted down the 2%. And so I'm not sure why it's in here except it -- we need it to cover some of these additional expenses we're starting to incur. So I'm concerned about it, that it's in there. I know that was a direction issue and maybe too my point earlier about how we vote on some of the Dr. He can shun we might give to staff, that was -- maybe there was some qualifying language by one of the councilmembers and that's the reason it's in there. So I don't think that the property tax assessment, the 2% allowance, should be in here, and I'm really critical about what this is all costing us and how we are how, Councilman Smith said, sort of piling on into a given area with no end and no real resolve as to how we manage this properly other than to commission a study to see where staffing is. And if you've sat up here for any period of time, any time we commission a study as to where staffing should be, it always mean we're going to get more staffing. I don't know who commission the study but somebody who has an interest in increasing staffing -- I don't mean to be so cynical, but that seems to be somewhat the approach. So that's input on the -- on this item here. So I'm concerned about it. And if there is something to be said about it that would be a consensus I would be certainly on the side of -- I -- at the very least the same concerns that Councilman Smith has and to a certain extent that Councilman Phillips has as well. With that, and pardon me for going on so much, but Councilwoman Littlefield.

[Time: 03:58:22]

Councilwoman Littlefield: I think when we studied the police and fire departments and needs they had we came across the fact they were being underpaid, they were leaving Scottsdale because they were not being paid competitively, and that it was up to us to raise those salaries and make their salaries competitive with our surrounding neighbors so we didn't lose experience idea police officers and have to go back, hire rookies, send them back through the -- to the academy, get them trained and then use our officer time to train these new people on the streets so they were qualified to work on their own. That hasn't changed. Public safety for all our citizens is one of the main reasons that the cities have governments, that we're here, and that we're working to keep our citizens safe. That doesn't change according to how many dollars -- now if there are accurate and reasonable ways to reduce the funning that they need -- funding that they need and inquire, that's fine but we need to make sure that our police officers and our fire officers both are paid competitively so that we don't lose them to other cities and have to start over from ground one time after time. That's a way to increase our budget and not get anything for it. Thank you.

[Time: 03:59:53]

Councilman Phillips: I didn't notice we were talking to the property tax. Did we get to that yet?

Finance Director Lee Guillory: Later in the presentation will be speaking more to that.

Councilman Phillips: I'll save my comments for then. Thank you.

Mayor Lane: I guess that's the extent of questions we have. Mr. Worth?

[Time: 04:00:23]

Public Works Director Dan Worth: Good evening again. The good news is I only have two slides. Bad news is you can see we wrote real tiny and crammed a lot of stuff on them. I have a slide for the general fund, CIP. I'm going to show you a separate slide for the transportation fund CIP, focusing on the two large portions of our CIP that are largely dependent on sales tax revenue as opposed to our enterprise funds basically, aviation, water, wastewater and smaller amounts but our fleet and our solid waste funds, all capital programs. I'm not going to get into those because are those well contained within their enterprises.

The general fund and the transportation fund, this is the general fund CIP. And the numbers that I'm showing on this are the transportation -- not the transportation -- the general fund sales tax revenue, general fund portion of project budgets. Some of these projects have other fund sources. For example, the second one on the list of projects, watershed shows \$5 million of general fund money. It's currently budgeted as a 50 million dollar project. Maricopa County flood control district, Salt River Pima community and some of the remaining funds we have from the last special bond election are all programmed into this project. These numbers are just showing the general fund, the sales tax revenue

pieces of that CIP budget. The top few lines you can see the revenue.

Assumptions, Judy just showed you the revenues going into fiscal year 2015/16, the \$3 million general fund transfer for the sale of the building, \$2 million for the 25% construction sales tax, years two through five, we're showing the construction sales tax revenue and the impacts of the new policy. Judy also mentioned concerning the allocation of the CIP of any interest earnings over a million dollars. You can see that gives us in the neighborhood of 3, 3 1/2 million dollars of additional revenue in the CIP. As you look at the projects, which is the bulk of the slide, I'm going to highlight projects that have asterisks on the left. Those are projects that have changed or new projects. The first one on the list with the asterisk said regional stormwater improve that's. That's a rework of five projects currently in our CIP. We've referred to them as Crossroads East, refer to them by their individual names but it's five stormwater projects that we've been doing some conceptual level study design work on to try to better define them and to put together information that we intend to bring forward to the State Land Department to talk with them about cost share for these projects. If you add up the five projects that we've got in the CIP they're budgeted at \$13 million. This is a slight reduction but it's really just consolidating those projects into a single stormwater project. We do hope to get an agreement with the State Land Department sometime in the future to cover roughly half of the total cost of this project. This represents our half. And we are going to be talking that this particular project next week when we come back to you to talk about the list of potential bond projects.

There's two projects showing here that are going to be on that list for potential bond projects. The other is the fire station on the first line. Other projects that are new, I'll skip down to civic center mall renovations. We came to you about two months ago with a proposal to take a large amount of bed tax money and fund a study, a master plan study for improvements to the civic center mall and set assigned bed tax funding for what we were portraying as a \$10 million project. You decline to do that -- you declined to do that unanimously, I might add, and one of your reluctances that you stated to us is you're very reluctant to set aside that amount of money for a project we had really figured out yet what it was going to look like. We got the message. Our proposal was to figure out what it's going to look like and the way we intend to do that is first part of what we brought to you is a \$300,000 study to master plan the mall, both improvements that adds to the functionality of the mall as well addressing some of the underlying infrastructure that needs to be addressed. It's infrastructure. And we are proposing that we pay for that half with bed tax, half with general funds. That's why it shows up on this list. We're proposing \$150,000 general fund go into that study.

The other three projects are mostly unglamorous project aimed at achieving operating efficiencies. One is to do with our pools, replaces a system we used to chlorinate the pools with a safer and more cost efficient system. One has to do with energy management systems and in five of our buildings, which will replace antiquated systems, give us operating costs reductions both in maintenance costs and utility consumption, and most importantly, allow us to better control the heating, ventilation, air condition and other electrical systems for better user comfort and satisfaction. Then the third one is a payroll system, I.T project that's going to upgrade our payroll system and better integrate it with our other human resources information systems.

And I will direct your attention to the bottom of the slide, give you an idea of the long-term viability of

this plan. The numbers in yellow at the bottom are what we project to have left in our cash balance at the end of each year, and you can see that somewhere towards the end of the second year of this plan, fiscal year 200016/17 we run out of money. At this point in time we either need more money or less spending to might simply. The more money can come from several places, it can come from unreserved fund balance. We can't count on that. We're not showing. Depends on whether or not there is unreserved fund balance available. It can come from additional property sales. We're working on some of that. It could come from bond proceeds, which is, again, the subject of the discussion we're going to have next week. The less spending could also come from several different sources.

We do achieve savings as we close out complete projects and they reflect in an increase in our available funding at the end of a year. That happens every year. We do have some projects that are shown where we're anticipating achieving some pretty significant savings. The first one I mentioned, the Granite Reef stormwater project, is one of them, by reconfiguring the model of what we hope to build and relooking the stormwater flows, recalibrating our stormwater model, we're very confident we're going to substantially reduce the cost of that project and we continue to look at ways to reduce the costs of some of our existing projects. Push comes to shove, though, if we hit that point where we don't have more money and we are reaching a decision point, then we're going to have make the hard decision to defer, delete projects. I will point out as far as the more money aspects the two projects we will talk about next week, relocating fire station 613, \$5 million, and then the \$11 million for the regional stormwater improvements, if those went forward on a bond election in 2015 or 2016 and if the voters approved those projects, that would give us the a you bill tea to take them off of the general fund, funding source, and it would almost totally resolve that discrepancy through the whole five years of the five-year program. So that's just something that we need to consider as we move forward.

Similar chart, transportation fund CIP, revenues at the top, revenues for the transportation fund, and again this is just the sales tax revenues. I've got projects on here that have a substantial amount of money coming from other sources, in particular the county administered arterial life cycle program, for example, show airpark area that's actually a combination of four projects in the CIP right now, and we're showing \$13 million between the four projects, \$13 million in transportation sales tax funding if you add up the total dollar value of the four projects you're close to \$40 million. We're providing the city contribution, the city match but the substantial amount of funding for those projects come from the arterial life cycle program which is being paid for by residents of Scottsdale, it's some of that money we're paging into the countywide sales tax coming back to us. But again the slide just shows the transportation sales tax revenue. We anticipate about 9, \$10 million of .2% sales tax revenue going into the CIP, half goes into operating half goes into CIP.

Again, if you look at the projects, the asterisks are new projects and changes. I will go briefly through those. The Alma School and Jomax road improvements is added to the fifth year. Every year we take a look at projects coming in and in year five of the program that is this is the first of two years of funding for that project. I have two projects on here that are, in fact, the city contribution to a project that received substantial funding from the arterial life cycle program. One is the Happy Valley road project. We're showing 3.7 million, that's our contribution to a 12. 2 million dollar projects. The other is the Miller Road underpass. That is a study only. It's not going to build the underpass. It will give us the

design concept report that will then be used at a later date to move forward with the design and construction of that project, but this is a \$300,000 city contribution to the million-dollar cost. The rest is coming from the arterial life cycle program. One project here, McDowell Road bicycle lanes, that focuses on a key council priority area, the revitalization of the McDowell corridor, enhancing transportation, functionality of the McDowell Road and three projects, 98th Street, Pinnacle, and Vista intersection improvements and Highland west of Scottsdale Road, smaller local projects we felt we could fit in reasonably within the available funding.

I will also draw your attention to one additional project, doesn't have an asterisk, but represents a pretty significant change, pavement replacement that we fund that annually. The current CIP funds that at about 3.3 million annually. It's part of our overall pavement program. We have other pavement funded in the operating budget, slurry seals, doing a lot of right now, but this is the major pavement replacement projects and we're proposing increasing the funding, doubling funding, in fact, from 3.3 to 6.6 each year of the five-year plan. This is part of our effort to reverse decline in the pavement condition index we have experienced for about the last six or 7 years citywide.

How do we pay for the increase in the pavement funding and other additional projects? The biggest thing that we did to free up money was to take a look at our programmatic projects and I've grouped a lot of those together on a line just above the pavement replacement project. We've got projects that we have annual funding that we add to for intersection improvements, for neighborhood traffic management, for traffic management with our signal program, sidewalks, bikeways, trails, a number of projects where we don't have specify you can scopes but we developed requirements on a year to year basis. We've historically funded those at a level of about 4 1/2 million dollars a year. We've historically spent those at a level much less than that. Somewhere in the neighborhood of 25%. The effect is that we've tied up a lot of budget authority that we haven't been spending it on. So what we've tried to do is get a better focus on those, give more realistic in how we're setting aside budgeting and frankly we're going to be breaking out projects and letting them stand on their own like some of those three smaller local projects that we're adding. Those are projects that historically we could have approached through some of these programmatic annual accounts. But the net effect of that change, instead of setting aside 4 1/2 million dollars a year we're setting aside 1.7 and that freeze up 16 million dollars over the five years of the CIP.

Long-term viability of the transportation program, again you can look at the bottom line, yellow numbers at the bottom. It shows a decreasing fund balance but it shows a positive number for each of the five years of the CIP and, of course, as with the general fund, additional funding sources to include a potential bond that could significantly enhance that. That's all I had for the CIP. I would be happy to address any questions.

[Time: 04:15:28]

Mayor Lane: We do have some questions. We'll start with Councilman Smith.

Councilman Smith: Dan, looking at this, the general fund next year spending 16.7 and the transportation fund is 26.4. So that's 43 million dollars. Is that what we're spending on the

depreciable assets of the city?

Public Works Director Dan Worth: That's the general fund portion of what we're spending.

Councilman Smith: What other funding are we spending from the -- I mean -- I don't mean matching monies but what other money is the city spending? Or is this all the city spending --

Public Works Director Dan Worth: Not all the city is spending. If you're looking at the general fund budget, for instance, the Granite Reef watershed, we have about \$5 million of bond 2000 proceeds that remain that were allocated against that project. I'm going to be bringing be a action to you in a couple weeks to purchase a piece of land for use as a retention basin. A lot of these don't is have matching sources.

Councilman Smith: The letter we got accompanying the budget, the letter from the city manager, said that we're going to spend in the city \$254 million. A lot of that is preserve land and/or water company expenditures, I guess. Do one of you have a breakdown of that \$254 million and how much is spent on what I'll call the depreciable assets of the city? And does that tie to your schedule here?

Public Works Director Dan Worth: The \$250 million that we anticipate spending on CIP projects, about \$150 million of that would go towards depreciable assets. A lot of it is land acquisition for the preserve.

Councilman Smith: When you say \$150 million on depreciable assets, does that include the water company as well?

Public Works Director Dan Worth: That includes the water and wastewater funds. They anticipate spending about \$70 million.

Councilman Smith: So if that's in your 150, does that mean that 80, then, is spent on the depreciable assets or the government operations?

Public Works Director Dan Worth: Another 19 from the aviation fund. 3 million from a couple of other non-general government funds. I think that knocks it down to about 60.

Councilman Smith: So about 60 will be spent on -- and most of that is what we see represented on these two pages here?

Public Works Director Dan Worth: That is correct.

Councilman Smith: We'll obviously be talking about this next week. Clearly this is an unsustainable program. It's unsustainable even if it didn't go negative so quickly for us here but that particularly makes it visibly unsustainable, but it's unsustainable as well because the depreciable assets I'm talking about are depreciating at the rate of \$100 million a year. And I don't know how long we think we can put in 60 to replace 100 and call it a sustainable budget, but this is not sustainable. Thank you, Mayor.

[Time: 04:19:29]

Mayor Lane: Thank you, Councilman. Mr. Worth?

Public Works Director Dan Worth: I will be followed by –

Mayor Lane: Sorry, looks like we do have one from the Vice Mayor.

Vice Mayor Milhaven: Can you explain how you recommended what would be recommended for a potential bond package versus what you're putting in this ongoing program.

Public Works Director Dan Worth: Absolutely. The list of projects we gave to you a month ago for consideration for the bond package came from primarily two different sources. One was the work of the bond task force, two different iterations. The other source was the project requests that we get from all of the senior leadership, division directors and there's some overlap there. Some of those projects that were on that bond list are on both of these two slides. I pointed out the two on the general fund CIP slide. There are a handful of projects that also appear on the transportation fund slide that are on the list of 34 projects for potential bond funding. And the same thing happens, if we approve bond funding and get voter approval for any of those projects, it in one cases reduces and potentially eliminates a deficit and in the other case it frees up money for other requirements. We essentially looked at the same priorities we looked at any capital program as we -- we add couple other things. We wanted things we could execute in a three-year time horizon. There will be other considerations we'll review at the work study next week that you want to consider equity across different areas of the city, equity across programs. It's essentially the same list of priorities we look at when we evaluate CIP priorities each year.

Vice Mayor Milhaven: Why would something be here versus on the bond list?

Public Works Director Dan Worth: I don't know if we're going to get the bond funding. If we get the bond funding we can modify the CIP.

Vice Mayor Milhaven: Is it safe to say these are what you consider to be the most critical projects?
Yes?

Public Works Director Dan Worth: Yes, it is.

Vice Mayor Milhaven: Then I'm making the assumption when we get the final budget book we'll have more detailed explanations about what the projects are?

Public Works Director Dan Worth: Yes, you will have definitely the scope and I don't know if we have -- are preparing to present to you the detailed information that we have in the past from our CIP database but I'm sure we could do that.

Vice Mayor Milhaven: That would be helpful. You said some of these are efficiencies. Are the costs that we're looking at, are they offset by efficiencies or are those separate?

Public Works Director Dan Worth: The costs you looking at are the capital costs to implement the projects. The efficiencies would be in that back-up data that we have in the database and we should be able to share that with you.

Vice Mayor Milhaven: Thank you. Then for the transportation, we heard a little bit earlier today from the Transportation Commission and I know there's probably a lot more conversation, but how do we decide what projects are on this list?

Public Works Director Dan Worth: Transportation Commission has had several opportunities to take a look at and provide comment on this. The prioritization looks at the same criteria we publish in the CIP book we'll review with you next week when we talk about bond projects. It's additionally [indiscernible] from the master plan that identifies several -- especially the make projects, the ALCP projects. There is an implementation plan as part of the master plan that identifies the sequence in which we want to get those projects executed. So there's a lot of input in into the prioritization of these projects.

Vice Mayor Milhaven: Thank you.

[Time: 04:23:35]

Councilmember Korte: On the general fund budget, Dan, the first asterisk line, the regional stormwater improvements with Pima road, you said those were a compilation of projects?

Public Works Director Dan Worth: That's correct.

Councilmember Korte: Could you tell me what they are and give me location?

Public Works Director Dan Worth: The five projects that are currently in the CIP, there is a project called Pima Road drainage. There is an East Union Hills interceptor project. A Loop 101 detention basin project. A Loop 101 detention basin outfall project. And -- is that that four or five? The power line corridor projects.

Councilmember Korte: And where are those located?

Public Works Director Dan Worth: They are all located generally in the area just north and south of the 101 as it crosses from Scottsdale Road to Pima Road. The basin is the big hole in the ground that you see now when you drive up and see the -- as you're driving north on the 101 passing Pima Road. And all of the other projects radiate from that big hole in the ground, either biking flows into it or flows out of it.

Councilmember Korte: And how far north do they go?

Public Works Director Dan Worth: The two components of that that extend up towards the north every Pima road and the power line interceptor channel and they both go generally up towards the Thompson Peak -- I want to say Thompson Peak alignment, but it doesn't have an alignment. It curves.

Councilmember Korte: So we're looking at that particular expense line of 11 million after four years and that's phase 1.

Public Works Director Dan Worth: We've taken those five projects and consolidated them and then broke them apart into a phase 1 and a phase 2. The phase 2 has the bulk of what's now considered the Pima road improvements, and it's not a direct one-to-one match. Because we've modified and adjusted and improved based on flows and other factors with you essentially the Pima road portion and a portion of the basin cost goes into phase 2. Phase 1 part is we get more bang for the buck and it's also more attractive to the State Land Department that affects more of their property which means more contribution towards the execution of those projects. Phase 2 we're not showing in the five-year CIP that can be deferred and our intent hopefully, if the Riata Pass study we are doing now leads to capital improvements that can reduce flows we can reduce that cost substantially before we get to the point where we need to build it.

Councilmember Korte: When you say reduce costs, does that imply reduce the impact of construction in that area and to the residents?

Public Works Director Dan Worth: Most of the construction impact is really on undeveloped land. The bulk of it is on land that the State Land Department is still holding on to. So construction impacts on neighborhoods is fairly minimal.

Councilmember Korte: That's not what they're saying up there.

Public Works Director Dan Worth: I'm talking about the five regional projects, the --

Councilmember Korte: I got it.

Public Works Director Dan Worth: The Riata Pass project is different. We're going through public outreach and gathering opinions and listening to the concerns as we develop that project. But that does potentially have construction impact on neighborhoods and the -- in the northern -- north of the area where these improvements would be.

Councilmember Korte: Thank you.

Mayor Lane: That's it. Thank you very much, Mr. Worth.

Public Works Director Dan Worth: I am to be followed by our finance director.

[Time: 04:31:34]

Finance Director Lee Guillory: Thank you, Mayor Lane and members of the council. I have just one slide. On property taxes, which is up on the overhead right now. And on the first column on the left side, the first six columns are all about the levy. Then we have the assessed valuations from the county and then in the final right-hand column will be the rate calculation. I will start with the left-hand side and the primary tax levy. The beginning point is the prior year's general fund levy. So I have the current year levy up there and the proposed '15/16 levy just to show you how this works. So the current year '14/15 started with a 25.5 million levy from the prior year. It added \$200,000 from new growth in construction to the property tax roles and the council made the decision in the current year not to accept the 2% allowance. So that resulted in a total general fund primary levy of 25.7 million, which is shown in the first line towards the middle. That becomes the beginning point for the '15/16 primary levy. So you see that on the second line. And in '15/16 the growth to be added to the property tax role accounts for another \$300,000. The proposed budget that's been presented does include the 2% allowance of approximately \$500,000. So the general fund primary levy would total 26.5 million dollars. So that is the addition of the tort recoveries that you have also you wanted to include and in '15/16 that would be \$1.3 million. So the title primary levy both in the general fund and in the risk management fund, which is where the tort recovery proceeds are booked, would be 27.8 million dollars. In '15/16 which happens to be the same levy amount from '14/15. The buckets are slightly different from the general fund and risk fund.

Continuing on those first two lines across to the right, even though the total primary levy is exactly the same at 27.8 million, you end up with different primary tax rates due to the change in the assessed valuations. See in the current year of '14/15 the primary rate is .558 of per \$100 of assessed valuation. The proposed '15/16 primary rate would actually decrease to .5394 due to the increase in assessed valuations which is how you back into the primary rate.

[Time: 04:31:34]

Mayor Lane: Just a small note and of course the reason I brought it up earlier is because we had sources to the general fund and it did indicate on the 2% it was 600,000 and growth accounted for 200,000. I realize we're adding up to the same number but I just wanted to point that out.

Finance Director Lee Guillory: The actual 2% allowance number is \$517,000. The growth is \$270,000. So those are -- for '15/16 what the numbers would be. Moving down to the secondary property taxes, the secondary taxes are only -- the levy can only be used to pay debt service on general obligation bonds that are currently outstanding. So in '14/15 that amount was \$35 million. In '15/16 the debt service has actually decreased, it's at 33.5 million dollars. It was also direction given to me that we would -- in the proposed budget we would show that the increase in the primary side related to the 2% allowance would be offset by a decrease in the secondary property tax by using debt service reserve that's available to reduce that levy. So you end up with a proposed secondary tax levy of \$33 million.

The assessed valuation is shown there. This is the first year that proposition 117 will be in force, and so the assessed valuation on both the primary and secondary will be the same from now on. So you end up with a secondary rate that's actually again decreasing to .6389 and then the bottom portion of

this slide is just accumulation of the primary and secondary. So the levy overall is dropping by a little over 4%. The rate also in total would drop.

I would also like to mention that the time -- at the time we prepared the proposed budget we did not have the results of the general obligation bond refunding that closed earlier this month. So these numbers do not reflect the secondary property tax levy can be reduced by another \$750,000. That will be included in the tentative budget as that reduced levy for that secondary property tax. The impact to the total rate, instead of being \$1.17, reduces it by about a penny to \$1.16, to including that refunding. That's my recap of the property taxes and I'm open for questions. It's also -- the city manager has asked that we actually do an actual consensus vote of each councilmember on this 2% allowance.

[Time: 04:34:36]

Mayor Lane: Very good. Interestingly enough I would only ask to have a quick question on this. Since this effectively reduces the rate, I'm getting -- just remains flat. You're talking about as far as the actual assessment. In one case the 27.8 and in the other case it actually -- in the secondary it does reduce somewhat, but on the overall you're looking at -- it looks to me like 63.4 to 60.8. Am I reading that wrong? I'm talking about on a total levy between the two.

Finance Director Lee Guillory: Mayor Lane, in total that is correct. Total levy is dropping. It's remaining equal on the primary side and dropping on the secondary.

Mayor Lane: I guess my question is since we are increasing the percentage on the allowance side, the truth in taxation, how does this get reflected in that?

Finance Director Lee Guillory: The truth in taxation looks at just the primary levy. It looks at the increase in the levy, including growth. And the 2% allowance. So if that is the only items that are implemented, a truth in taxation hearing is not required. I take that back. It incorporates the tort recovery as well. So there would not be a requirement for a truth in taxation hearing given the primary levy as proposed here.

Mayor Lane: And so the way that it would be -- if there is a requirement to document it or to publicize it, there would be an indication of no tax increase? Even though we've got the tort coming in and we've got the 2% --

Finance Director Lee Guillory: There is still a requirement to have a hearing on the property tax levies, which will occur on June 2nd. The difference is that it's not considered a truth in taxation hearing, so the specific advertisement in the newspaper is not required that disclose the increase over and above the 2% allowed.

Mayor Lane: So what we have run into in the past, even when we have an increase -- haven't increased the 2% allowance, by the 2% allowance, that it's been portrayed there is a tax increase. Is that because the total levy increased, and in this case it's flat on the primary?

Finance Director Lee Guillory: That is correct. It was increased due to a tort recovery would have caused the truth in taxation hearing to –

Mayor Lane: But what would cause that truth in taxation hearing to occur is the total levy being increased, not necessarily the component parts?

Finance Director Lee Guillory: Right.

Mayor Lane: That's all. Thank you. Councilman Phillips?

[Time: 04:37:35]

Councilman Phillips: Thank you, Mayor. This is a politicians dream right here, we can raise your taxes 2% and say we lowered them. Isn't that wonderful? I'm not for that. I think if we don't do the 2%, it will lower it even more and I think that's a better way to go. So my direction is no to the 2%.

[Time: 04:37:57]

Councilman Smith: Clarification back to the half million dollars you're reducing the debt service reserve. Can you give us more background? What is the debt service in total and what is the logic behind taking it down half a million.

Finance Director Lee Guillory: The fiscal 13-14 ending fund balance is about 9.7 million dollars. That reserve will increase this year also related to the G.O. refunding that that occurred. The refunding generated over a million dollars' worth of savings for that particular year. We have already levied the citizens for the higher amount of debt service not knowing the refunding would occur. That's what causes the debt service balance to grow from year to year. So with it ending at 9.7 million last year and increasing by over a million this year, that fund balance is over 10.7 million dollars projected for fiscal year '14/15, ending.

Councilman Smith: And I apologize but could you tell me again what the \$600,000 potential that's coming that will reduce these numbers?

Finance Director Lee Guillory: That's also related to the general obligation bond refunding that closed on April 2nd. There was about \$8 million in total savings. It's phased in every year. So in '14/15 we realize add little over a million dollars in savings and in this proposed '15/16 year it's about 740,000 dollars of savings in debt service payments related to that refunding. That's just for these two years. It goes for several years and totals about \$8 million.

Councilman Smith: I should probably say I just gave you the opportunity to give a commercial on all the good refundings that you've done but I guess that is the reality. That's what is creating these savings. In terms of giving a consensus opinion, obviously I am in favor of including the two%. I guess I need to explain to that people though since I frequently argue for how we should be giving a tax relief

to our neediest citizens in the form of a food tax. This particular tax is not by and large going to the neediest people of our city. I refer to it as the business, snowbird and Canadian investor relief act. That's what pays this tax. It is not primarily a benefit to the neediest citizens and so I -- if I'm going to give tax relief I'm going to pick it strategically and it's not going to be this one.

[Time: 04:40:52]

Councilwoman Klapp: I disagree with that I would not vote for a 2% allowance, particularly since we apparently have enough money coming in that we didn't plan in the budget at \$600,000, to cover the \$600,000 property tax 2% allowance we figured in the budget. So I understood that we were, that from information and presentation that I received on the budget that we were hoping to fund some of the increases that are taking place in the budget such as salary increases for the police by partially using that 2% allowance. Since we don't need it, because we have another \$600,000 increase in revenues coming into the budget that hasn't been shown tonight then I don't agree we should increase the 2% allowance. I would just as soon, I am in agreement with Councilman Phillips, I would just as soon that see that percentage decrease more, give them even a lower drop in property taxes. I believe it's borne by everyone in the city that owns property. And I don't believe that's just the snowbirds and the wealthy and the -- and others in the city. I think there are a number of people in this city that own property that live in houses where a property tax increase does impact them and even if we can reduce it by 2% that's, I think, something to be considered. So I don't support the 2% allowance increase.

[Time: 04:42:36]

Mayor Lane: Thank you. Mr. Nichols, you have a question or comment or -- I'm sorry.

Budget Director Judy Doyle: I just wanted to clarify as it related to the additional 600,000 state shared revenues that were not included in the proposed budget. We did have an offsetting expense that was also not included in the proposed budget, and that is our city share of the cost to the Department of Revenue to provide tax audit services. So --

Councilwoman Klapp: And what is that amount?

Budget Director Judy Doyle: 600,000.

Councilwoman Klapp: Nevertheless, it seems to me that is not a large amount of money that can't be found elsewhere without taking -- and I don't agree with having -- with taking the 2% allowance in order to make the budget balance. I believe there's other monies that can be found that we don't have to do this, we haven't done this for a number of years and we've been able to balance the budget without it. I don't think we need to do it this year, and I would like to see the rate go down even further.

[Time: 04:43:41]

Mayor Lane: I have to say that I still remain opposed to the 2% increase. I tell you, this is just, as Councilman Phillips mentioned, it's sort of a politicians dream when you think about this kind of thing.

Think as playful area for -- it always has been and always is only because of the some of the confusion that existed with regard to assessed valuation and new improvements to real estate and how that increases the tax base. So somebody who has a home, they may end up, an frankly likely are, paying close to the same they might if they've increased valuations in their property. You can say, well they received increased valuation, so they should be happy to be paying more taxes on it. But the fact remains that's just -- it is an increase in the tax base. It's an increase in their valuations. And I just don't think it's necessary. The only cause for hesitation I even have with that is the developing need we're creating, and I'm not sure I want to be a party to some of that. So I'm on that side of the not increasing it by the 2%. Councilmember Korte?

[Time: 04:44:54]

Councilmember Korte: Thank you, Mayor. Can you give me a little history of what this 2% allowance, where it comes from? Help the public understand where that comes from?

Finance Director Lee Guillory: The 2% allowance has been in effect for, I believe, about 25 years, and it's allowed by state statute. The legislation looked at it and allowed cities and municipalities to increase their primary levy and I believe it was a way to kind of counteract inflation so that basically what municipalities were levying every year would increase about 2% a year, which is about what inflation also is because the expenses that this covers, particularly our -- are inflating every year. They don't typically remain static. So the history is within the city is to actually take the 2% allowance for as long as I can recall other than the last four years when the city has not taken this 2% allowance. It's about 2.17 million in ply Mary levy that's not been levied in today's levy amount.

Councilmember Korte: Thank you. And do I understand correctly that if this -- if the council chose that that could be retroactive and we could go back four years? Is that true?

Finance Director Lee Guillory: Mayor Lane, members of council, that is also correct, that just because the 2% is not taken in one year or for several years, the council is still allowed to go back and recover at any point in time unless the state legislature changes the state statute regarding that.

Councilmember Korte: Well to give my input I don't believe we should go back retroactive will he but I do support the 2% this year.

[Time: 04:47:15]

Mayor Lane: Councilwoman Littlefield?

Councilwoman Littlefield: Thank you. First I would like to say congratulations on a job very well done on the refinancing of the bonds. That was very well thought of and done, and I appreciate it. I'm sure we all do. I would prefer not to raise the tax the -- the 2% taxes. If we don't have to do it I see no reason why we should. So I would basically not want to do that. I think there's a lot of people in Scottsdale that that could make a difference and it's there are a lot of people still hurting and raising property taxes on their homes is a hard bite because if they want to keep their homes it's not something

they cannot pay. I would rather not do that. I would like that -- eye be my preference. If we have to do it to balance the budget, we will, but my first preference would be no.

[Time: 04:48:27]

Vice Mayor Milhaven: Clearly I'm going to be in the minority again. But I get an opportunity to share a point of view. But the more -- the longer we go without increasing property taxes to keep up with inflation, it means the more reliant we become on sales tax revenues, which is a much more volatile source of income and I think threatens our long-term financial sustainability to rely so heavily on a revenue source that is so volatile. So for that reason I think that it's -- now that we are past the financial crisis that going back to taking the 2% allowance is just good long-term fiscal responsibility. I am certainly sensitive to property owners who would need to pay property taxes, but to put it in perspective, half a million dollars across 240,000 residents, 250 you,000 residents is \$2 per year per person and that's not taking into account that a large portion of this property tax is going to be paid by businesses. So if we say business pays for half the property tax, that's a dollar per person per year. So while I don't think it's only a dollar per person per year is a reason to take the money, I'm thinking it would not be a financial hardship on any of our citizens and it would lend to the long-term stability of our revenue sources. Having said that, I heard there are four members who don't want to take the allowance. Thank you.

[Time: 04:50:09]

Mayor Lane: Thank you, Vice Mayor. There's just one other thing by like to add to this conversation and frankly this isn't our concern at this dais other than the fact it impacts our constituent taxpayers, and that's that we're going to be asking -- number one, there's going to be a significant increase in their taxes from other sources, their property taxes. School issue, school bond, the healthcare -- the county health district tax which is going to go up substantially, and we're going to be liking for a bond issue, general obligation bond issue. So all of those things are going to be piling on top of this. So whatever small amount of relief we can give them here to offset even maybe the thinking about our efforts, and I think -- and this isn't an advertisement but nevertheless the efforts to persuade and consider a bond issue that we vitally need going forward. So it's just an added component. We do have at this point in time four on the no side so that would be the guidance. But we have further comment by Councilman Smith.

[Time: 04:51:23]

Councilman Smith: Thank you, Mayor. I say the same thing that Vice Mayor Milhaven said. I'm obviously in the minority here, but I echo her comments. It is a small number. And I guess I would just urge my fellow councilmembers to remember that on the first slide we said with some enthusiasm that we are taking 2.6 million dollars of additional money from the citizens in sales tax receipts, and I'm really having trouble reconciling how we can get so enthused taking 2.6 million and congratulate ourselves and giving them back 2 bucks a year.

Mayor Lane: Thank you, Councilman. I will say that one of the prevailing wisdoms we've had through

the years is the fact that in large part the sales tax is collected from nonresident taxpayers.

Councilman Smith: That's not true, but -- the sales tax is collected from the citizens.

Mayor Lane: The sales tax in large part -- to the tune of about 22% are collected from people outside the city.

Councilman Smith: In large part it's coming from citizens.

Mayor Lane: I said resident citizens. So correction noted. In any case, that's the only additional comment I've got on it. The direction is there. Thank you very much, Ms. Guillory.

Finance Director Lee Guillory: I'll turn it over to Brent Stockwell.

[Time: 04:52:55]

Mayor Lane: Before Brent comes up, come on up in any case, one thing that's hanging over our hands in addition to whatever unfunded liability we have to pose post to our financials with regard to the pension plan which we don't know the number, there is another number we don't know and that is this mid-census census in process now by most of the cities within the -- certainly within the Valley which will persuade the entire state to go with this. And then -- thus a reallocation of the state shared tax revenues. We get beat up each and every time this topic comes up because again we're donors in this recalculation -- I should say redistribution on the basis of population rather than our contribution to a huge extent. This would exacerbate it further because there are a number of cities that have double-digit increases in their growth and population and we certainly are nowhere close to that. In fact we're on the lower ebb from a lot of cities around. Have we given any consideration for what that amount might be? I knew there was a \$2 million price tag just to have the mid-census done if we went to the census to do it. I understand there is something else in the works. Mr. Behring if you wanted to address that.

City Manager Fritz Behring: We're still looking at that issue. The reality S&L that Scottsdale's numbers are not changing compared to other communities in Arizona. We are not a fast-growing community like some others. We will expect -- we will estimate we will see revenues dropping over the next two years. We don't have an idea right now what that's going to be. Could be somewhere in the ballpark of \$500,000 to maybe \$2 million a year in the future. We just don't know that. But we're just starting that work with the other cities throughout the state. In fact the memo will be going out to all of you tomorrow. I did not want to send it out tonight, but there's a big problem with state law here, and the state law does not make a lot of sense, and unfortunately we have to deal with this. It's going to be an issue we have to deal with in the future. Yes, it is going to be a cost for us. There is no doubt about it. It's going to be big -- a big problem for like the City of Phoenix. The City of Phoenix could potentially lose \$6 million plus.

Mayor Lane: I actually heard higher numbers for us. I'm actually consoled somewhat if the first year would only be half a million dollars because I had heard at least a couple million dollars on that end of it.

The fact when we were talking about a \$2 million price tag just to get the mid-census census taken –

City Manager Fritz Behring: That would be a one-time cost. I think there is a way we can deal with it without having to spend \$2 million on having the federal government come in and do the census for us.

Mayor Lane: If we can agree through the state estimates.

City Manager Fritz Behring: Exactly.

Mayor Lane: It's not defined but if your numbers are truer to the estimates than what I had in mind –

City Manager Fritz Behring: I think that if we end up in in the \$2 million -- 1 million plus loss of revenues I think that's reality. We're going to have to see that going forward. Those are things that we'll start to plug into but every year the budget changes dramatically, month by month, and but we understand those are going to be huge issues we will have to look at.

Mayor Lane: The only other thing I would -- maybe just to confirm I know Gilbert and Chandler are big on this.

City Manager Fritz Behring: Because their numbers are going up.

Mayor Lane: Substantially. So they have been the driving force for it all along. Who could blame them? I can understand where they're coming from. It isn't a matter of that if in fact this were to be facilitated, would it affect us next fiscal year?

City Manager Fritz Behring: No, it would be two years down the road. We'll hit it in about two years.

Mayor Lane: Okay.

City Manager Fritz Behring: Next year will not be a problem. Year after that we'll be fine. I promise you that.

Mayor Lane: Thank you. Brent, go ahead.

[Time: 04:57:44]

Strategic Initiatives Director Brent Stockwell: I'm pleased to be the transition from prime time programming on Channel 11 to late night programming on Channel 11. I'm just going to provide a few context remarks on the agreement and the funding with the Scottsdale Cultural Council and then Mr. Neale Perl will come up and talk about their request.

The City of Scottsdale has an agreement with the Scottsdale Cultural Council for advisory planning and managerial services for current and future arts and cultural fairs and facilities in Scottsdale. So this agreement requires the council to approve an annual financial participation agreement which includes the following items that are listed on the screen. I'm not going to go through each one but those are

the terms of the agreement. In addition the management service agreement provides for supplemental funding requests for unanticipated extraordinary expenses or for new initiatives consistent with agreements and also provides that the Cultural Council would make recommendations for capital improvements to city-owned facilities relating to arts and culture. That's just a quick overview of the agreement.

This is a snapshot of all of the payments from the city to the Cultural Council -- not all of the payments but the listed payments from the city to the Cultural Council under the current agreement, which started back in fiscal year 2008-09. One thing you will notice and Mr. Perl will I highlight is the similarity in the numbers you on cross the bottom line on the chart. We're paying a similar amount in '15/16 budget to what was paid at the start of the agreement in 2008-2009. The Cultural Council sends a -- sent last week for additional funding items. Each one of these funding requests is consistent with the management service agreement.

To go through them quickly Item 1 and Item 4 on this list are -- they are one-time recommendations for capital improvements to city-owned facilities. Item number 2 is a one-time request to add or replace specialty equipment or fixtures for performing or visual arts. That's also under the agreements. Item 3 is a one-time operating cost addition. That's also provided for under the agreement. Then Item number 5 is an ongoing request for funding for programming consistent with the agreement. All of these things are all provided for in the agreement and none of these are included in the budget to date. So they are all presented to you for your direction on what items you want to include in the budget. I will not talk to any of these items in specific but I'll answer any question you have at this point, but otherwise would rather just turn it over at this point to Mr. Perl can talk you through each one of the requests.

Mayor Lane: We have no questions of you at the present time. I'll leave it go at that. I would have to say, Mr. Perl, nice to see you here, that for late night programming having a talk show host by the name of Neale Perl would seem to be fitting.

[Time: 05:01:05]

Neale Perl: Thank you, Mr. Mayor. Thank you, Bret. Good evening, Mr. Mayor and members of the City Council. I'm grateful for opportunity to address you tonight. Bret has set the stage for why we are here. We're asking the city to approve additional funding in order for the Cultural Council to effectively continue offering our programs and services to our community. As shown on Brent's slide we have been in a period of flat funding for approximately eight years now. With many of our fixed costs rising, this has put a significant financial strain on our organization. These requests, however, focus on areas related to the city's upkeep of treasured assets and resources for the Scottsdale community.

As shown on this slide, the first 3 items represent areas critical for continued operation. The fourth item relates to the atrium in the center for the performing arts and addresses a significant acoustical deficiency that negatively impacts the programming and renting of this space. The last item requests additional funding for an expansion of Canal Convergence, a unique signature downtown event which

we effectively help activate the canal over a four-month period of time. I know you have received packets in advance that outline the components of each item. Tonight I would like to highlight some of them in this brief presentation. My goal is to be respectful of your time, the late hour and go through these items quickly to leave us ample time for questions.

Besides replacing the original decades-old stackable chairs used across our campus and in the atrium one critical component of this package of facility upgrades is the addition of shade screens on the west windows in the atrium. The intense glare from the sun is disruptive and makes viewing difficult. In addition the heat load on the building is significant. The screens will improve our ability to rent the space and there would certainly be a reduction in utility costs.

Removal of a complete catering kitchen during the renovation was done on the premise it would be replaced with better equipment in phase 3. Unfortunately the lack of funds to replace this equipment has hampered our food and beverages capacities. For one 10th the cost of a full kitchen our team feels we can be much more productive if we install just a basic level of commercial equipment.

The Piper Theater host many dance ensembles, including educational programs as you see for children. The theater stage and portable Marley dance floors are beyond the point of repair and in need of replacement. The worn condition creates a safety hazard for performances. We don't want dancers pulling splinters out their feet or tripping when they move across the stage that the Piper Theater is the 70's premier venue for high quality arts performances. This equipment -- this special equipment which allow is us to deliver an experience is falling into disrepair and we are quite honestly behind the times for what audiences now expect and performers demand in their contract.

Lighting and sound are what makes a performance come alive for an audience and our equipment is both in desperate need of upgrading or replacing. We recently had the lights go out during a performance due to the state of our lighting system. And getting to those lights and other high places across our campus is risky due to our 15-year-old scissor lift that only works intermittently. Likes to go up, doesn't want to come down. Not only a safety issue but could negatively impact our ability to fulfill a contract with a performer or ticketed patrons. Besides using the scissor lift to help with installations at the museum of contemporary art this item includes funds to upgrade the quality and experience of muse seem visitors by adding components such as monitors and projectors. Technology drives almost everything we do as an organization.

Critical infrastructure components which provide the tools for us to do our work include replacing PCs, file servers and switches which are many years past their usable and supportable life. Technology is front and center when patrons want to buy tickets. Currently our web platform or online transactions does not allow us to offer membered discounted tickets nor membership renewals online. A fast and easy web purchasing environment are what we all demand when shopping on the Internet. While we don't always have to be on the cutting edge, being on the trailing edge of implementing technology is not a good way to build a brand or serve our community. Most museums have an online collection management system that allows Web site visitors to see the quality and diversity of its collection. We are looking to add a web module to our current software which will enable Web site visitors to enjoy and research the city's art collection. In addition this same platform will allow us to house pictures of

the many events and projects we have done in the past such as photos on Canal Convergence and public art installations.

The atrium is certainly a diamond at the Civic Center Mall. Besides a lovely place for patrons to gather prior to performances, it is a great facility to rent for many types of events, including trade shows, community events and our own gala. Unfortunately the design is more than a challenge from an acoustical point of view. I think you have all been there. You're not going to be surprised by what I'm going to say. Even our own donors who attend our gala complain about the inability to hear the speaker or each other when the atrium is full. This item includes adding acoustical ceiling tile and movable acoustical sound barriers to create a more enjoyable environment for our guests. If we don't improve the space we're concerned about losing significant rental income when hearing a speaker or conversations are important.

One of the hallmark events is Canal Convergence. In the spirit of activating the canal this four-day event in late February draws almost 40,000 visitors. Key components of this event are the extraordinary temporary art installations secured and manned by Scottsdale public art. Between the local artists, associated programming and these temporary installations they make for a special weekend for residents and tourist alike. We came up with an idea that we feel will be a great expansion and better return on our investment in Canal Convergence. This concept is one we would like to do on an annual basis as it extends activation of the canal from November through March. With this strategy the number of residents and visitor who will have the opportunity to enjoy a world-renowned artist will increase exponentially. Our first effort with this concept will start with British artist Bruce Monroe with installations of blooms as you see here. We are asking the city for an additional \$100,000 this year to enable us to expand the associated programming with the Monroe installation. This program also includes an installation at SMOCA called Ferryman's Crossing as well as an exciting collaboration with the desert botanical garden entitled celebrating life in the Sonoran Desert. More than 500,000 people are expected to pay to attend that exhibition where ours will be free to the public. While this request is for FY16 only, our hope is we will have such a great success this first year that an enhanced Canal Convergence will become an annual event. On behalf of the nearly 400,000 people we serve a year, we respectfully submit this request and thank you for your consideration. And with the help of my staff, I'm here to answer any questions you might have.

[Time: 05:09:57]

Mayor Lane: Appreciate the explanation and outline that's been presented. I know we've had some previous information on the subject as well. So thank you. I'll start with Councilman Smith.

Councilman Smith: Thank you, Mayor. I think this question is for Judy. When you went through the budget you did not talk about the potential unreserved fund balance or allocation of any one-time money to capital, when Dan was talking about capital or anything else? What may we expect? I know what the book says here. Should I rely on that or –

Budget Director Judy Doyle: Mayor and members of the council, at this point, yes, that is our best estimate as to what's included in the proposed budget. We are working with our divisions to tighten

up year-end estimates, which will be included in next month's monthly financial update. So at that time we could have a better number for you.

Councilman Smith: Am I right that I'm looking at a number that says the current forecast would be at the end of this year \$19 million?

Budget Director Judy Doyle: Mayor and members of the council, that is correct.

Councilman Smith: Okay.

Budget Director Judy Doyle: And I do just want to remind you that there is about a \$7 million one-time cost in fiscal year '16/17 for an additional pay period. So we know we need to hold on some unreserved fund balance for that additional expense.

Councilman Smith: Out of the 19 we shouldn't try to spend more than 12 or something. I got you. I guess I will just make a comment, then. I think from what Brent -- from what you said, most of these are -- two things. Most of them are one-time costs, and presumably they would be funded from this \$12 million at year end. And also, while Mr. Neale has generously described them, most of them are things that we're doing for our city facilities. It's not technically a Cultural Council subsidy in any sense. It's a taking care of our own city facilities which we've asked them to manage and, I guess, asked them to give us their opinion on what supplemental funding and capital projects are required and that's what they're doing here.

I will say for myself, I've looked over the list. I find them not only reasonable expenditures but being a frequent patron of these facilities, I can vouch for the fact that they are in some respects pretty unusable, when he talked about the atrium not being able to hear people, it's absolutely true. And when he talks about the stacked chairs, you need to sit in those sometimes. They're less comfortable than the ones we've provided here. I think as reasonable request. And it is in fact a request that the city should be honoring, not having anything to do with the Cultural Council per se other than they find it tough to do their job otherwise.

A comment was made earlier with regard to another department that we were -- they hadn't been getting proper money for years and we're just trying to level the playing field. That can certainly be said in spades for this organization. I don't know how we're expecting the organization to continue to manage our facilities for us and continue to deliver the arts and culture programming that our citizens have said is important in the liver bill tea of their city when we go for seven years without an increase in their base budget. I don't know anybody else that can operate a business that way. So I would -- if we're looking for a motion here, I would make a motion, but otherwise I'll wait for other people to chime in. I certainly favor this.

[Time: 05:14:11]

Mayor Lane: Thank you, Councilman. Councilman Phillips?

Councilman Phillips: Thank you, Mayor. Mr. Neale, welcome to Scottsdale. You're doing a great job and you probably got down there and said, oh, my God. I agree with Mr. Smith and a lot of his comments. I think the Cultural Council, if they had more money they could do more things and we have to find a way to get that money opinion but along with that let me make some comments. You mentioned the windows and the glare and buying shades and stuff. I think replacing them with low-E glass would be better. If that's going to be better. That's really the solution to that. The kitchen, maybe you could get a private partnership with a certain chef or certain restaurant or something like that. Maybe they would pay for those in order to get some of the proceeds of selling the food or something like that. There's other ways to get money besides coming to the City Council.

The scissor lift -- you guys own a scissor lift?

Neale Perl: The city does, and it doesn't work.

Councilman Phillips: That's ridiculous. We should be renting those. I can't see any reason to have one. Let's see. Atrium. You're right on with that. That needs to be done.

The canal, I don't know if that can be through tourism funds. It's only 100,000. Maybe there's another way to get that money. And if not, even if we don't -- there isn't a consensus to fund all this stuff let's hope at least we get that one. I think that's something that tourists want and need and it's good for the city and it's been a great thing.

So all in all, I agree with the things that we need. I just don't see where the money is coming from. I feel like you're coming in at the 11th hour and asking for a million dollars that we can't seem to find. Maybe another way we can do it is to present to us over time and maybe we can find some money one at a time to do these project instead of grabbing it all at once. Especially with the canal. So I think with a lot more thought and effort we can probably come up with ways to get all these things done. Thank you.

[Time: 05:16:39]

Mayor Lane: Vice Mayor Milhaven?

Vice Mayor Milhaven: I want to follow up on Councilman Smith's question to Judy. So the general fund surplus is anticipated to be 19 million but if I go back to the slides that Mr. Worth showed, it's 17 million of 19 million being put into the CIP, is that right?

Budget Director Judy Doyle: Mayor, Vice Mayor, the 17 million dollars that go into the CIP in the general fund is -- the 17 million dollars is the projected balance that we have at the end of this year in our general fund CIP. It doesn't have anything to do with the unreserved fund balance. It's already in the CIP.

Vice Mayor Milhaven: So then that would mean there's \$19 million minus the accounting for the extra pay period that is unspent? Unaccounted for?

Budget Director Judy Doyle: That is correct. At the end of year '15/16 we are projecting \$17.6 million. However, when we look out into the out years, once we start getting to, say, year four based on current revenue estimates, we're at about 5.6 million. So we are continually reducing that amount each year. And we know that direction this evening was to eliminate the 2% property tax allowance, which will take out approximately \$3 million out of that five-year plan, which reduces that even further in those out years.

Vice Mayor Milhaven: What are you forecasting will be the '14/15, end of this fiscal year, what are you anticipating the surplus to be?

Budget Director Judy Doyle: At this point it's 18.9 million, 19 even.

Vice Mayor Milhaven: Okay. I'm a huge supporter of the arts. That's no secret to everybody. But we're also in a tough spot in the city in terms of capital needs and future needs, and next week we're going to have a work steady that talks about future bond. So on the one hand I'm sympathetic that the Cultural Council over the last several years has taken a cut and forgone an increase and so I do want to do something to help restore some of what was not given in the past to help them keep current but it's hard for me to get my mind around a million dollars request given the urgent needs we have.

Mr. Neale, are these requests in order of priority?

Neale Perl: I originally went to my staff and asked them to make a list of the needs for the organization, mostly capital needs, and it was much larger than this because it's been basically neglected for a decade. There's been certainly some improvements but as the years go on there haven't been for obvious reasons. So later we went back and categorized them priority A, B and C, and what you're seeing here is all letter A, believe it or not.

Vice Mayor Milhaven: So, I'm going to piggyback on something Councilman Phillips said in terms of Canal Convergence and public art and I think some of you have heard me say this before. In my opinion I think we should use our scarce public art money for permanent installations and for event-based things like Canal Convergence that you even said a few minutes ago appeals to our visitors, we've got bed tax money looking for events that will be attractive to visitors. And so I would encourage the public art folks to work with the tourism development commission to see if bed tax might not be a good use for this Canal Convergence. I understand one of the challenges is filling bed nights, but I think coming up with some criteria to say what do we judge the success of an event by if it's not bed nights would be helpful. So I think for tonight I wouldn't be supportive of the last one.

When I look at sort of the -- the up as and downs of the last several years, it's probably not terribly accurate but it looks like it's about half a million dollars is what's been foregone, plus or minus, and so I would say we could probably -- I would like us to see if we could find about half a million dollars, and then ask you if you had a half a million dollars what would your priorities be and probably look to say, what are the expenses that are keeping you from providing first-class experiences for our community. So, in other words, what's impact the quality of the programming rather than carpet. That's sort of where I am. I would like us to find about half a million dollars to meet the most urgent needs that are

impacting the quality of services you provide our community.

Neale Perl: I agree. I would be remiss if I didn't speak for my colleagues here who work in the center, the carpeting is 22 years old.

Vice Mayor Milhaven: In the offices?

Neale Perl: In the offices.

Vice Mayor Milhaven: We have some pretty crummy city offices, too.

[Time: 05:22:21]

Mayor Lane: Thank you, Vice Mayor. My question I suppose to staff is a little bit of a mix. If these are items, capital items in here, are contractual issues that we have within our contract, why are they not already on our CIP?

Public Works Director Dan Worth: Mayor, part of the answer to that is that we spent a lot of money on the CIP on Cultural Council programs in the last 10 years. We've done \$17 million rebuilding.

Mayor Lane: Remodel.

Public Works Director Dan Worth: We do consider CIP requests. We do actually very on the list that we're going to discuss next week, again I point to the bond discussion, we had a project that included some of the capital improvements that Mr. Perl is talking about for the center for performing arts was on the list that the bond task force produced in 2012. It's not on our list of 34 projects but we will have it on a list of additional projects you may want to consider based on the feedback you gave us at last work study. So we've looked at some of the projects, we've prioritized them. The money is not there.

Mayor Lane: It's our facility and, therefore, we're responsible, I presume, by contract to maintain them and some of that is capital improvements, and I'm not sure that I have enough information right -- well, I probably could if I studied back through this, but critical facility upgrades, I don't know if that's a capital improvement or CIP type of project but I would think at that amount of money it probably could be added to a list. Critical performance equipment upgrades, the things I don't understand about that, with the major remodel a few years a, I thought we had done some significant work in that area. Nevertheless, the 1 through 4 all seem to involve capital projects on one order or another, and I don't know what criteria we have for something getting designated into the CIP but it would seem like that would qualify. If that's the case and they're our responsibilities I'm wondering whether or not we don't need to handle them in that kind of way. Now, this is just a thought on the overall. Looking to try to solve this. And we talked about the unreserved, earned allocated funds that we have, the balance shall, and what we might have in that department. We have right now -- to CIP, what do we have -- is it the 25% of the construction sales tax, which is about -- is that 2 or 4 -- 2 million? And then we just -- we decided to put another 3 million into that.

Budget Director Judy Doyle: Yes, an additional 3 million was for the sale of the building.

Mayor Lane: Yeah. And then what we have done in the past when we've had some excess funds on one-time basis was to insert some additional monies into that fund. It would seem if we got this coordinated, put these maybe into that arena, and then we need to be working closely together as far as how we're maintaining everything, then in concert with the Cultural Council prioritize these kinds of things with maybe additional funds coming out of the unallocated reserve funds as we commonly refer to them as. That would be my thought. I'm not -- I don't know that I would pick and choose.

I certainly would agree with those who mentioned before on the Canal Convergence and I know there are different criteria for promotional events and frankly for things that add to the Scottsdale experience and maybe can't be quantified as to how many people came to town and rented -- or stayed in a hotel or in a resort just to see that. But they do add to the downtown experience and therefore our component part of what downtown brings to the table that way. I mean, we do some -- TDC certainly makes some interesting decisions about this. I would say this would be one that would fall into a reasonable category of a tourism-related kind of event even if it's just bringing people in for the day and they spend money here to the point that I made earlier about 22 to 23 that was of our sales tax collections are from people outside of town. Nevertheless to make that point again, I would say that the Canal Convergence is certainly something that should fall into that category. Now, if it falls in our lap contractually that that's something we should be dealing with, then again in concert with the Cultural Council contractually working with the TDC and, of course, this body here to decide whether or not that's an item that should be up for bed tax dollars, for the bed tax dollar allocation.

Even though I'm not crazy about the last-minute aspect of this, and that's the reason I mentioned why these -- if they are responsibilities contractually why we're not considering some of these things or it hasn't come up before. And maybe it has. But it hasn't to us. So I'm -- I think that there's a path to do and to work something out on these items but I think we need to work closely together and we need to make -- if there's a transfer of one-time monies we need to be looking at all the project that are online for us inclusive of this. I don't know if that -- it's a somewhat, I guess in line with some of the conversations we've had to this point in time. But there's still some others that would like to speak toward this subject. Councilwoman Klapp?

[Time: 05:28:13]

Councilwoman Klapp: Well, as the Vice Mayor said, this is a large sum of money, far more than I expected when we got the list. So it does give me pause as to how we could potentially fund all this in one year. If it was spread over several years I think it might make more sense. And the monies we take from our unreserved funds we carry over to the next year, anything we use to fund this takes away from anything else we would like to put into that -- into basically the CIP because my hope would be that we end up with a large enough fund balance that we can put the bulk of it into CIP next year. Because you have already seen the problem we have.

So last year we were able to put a larger sum in than we originally thought we could do at the end of the

year and we need to do that again and if some of these -- I would agree with the Mayor, some of these projects could fall under a CIP project or list of projects, then some of these could be funded in that fashion, I think, but for the most part my major concern is that we have enough money in the CIP so that we don't in the year after this one fall into a negative balance. That just isn't going to work for us. And we have no assurance that if we do agree on a list of bond projects that could potential go to the voters if any of those are going to pass. I don't think we should rely on that at this point.

We have to be realistic as to the CIP projects that are going to be funded through monies that we're carrying over or some money that we already have available. So these are competing with all those other city projects. We have a lot of departments, as was mentioned by the Vice Mayor, that have bad carpet and they need other things, too. We have needs that we have not filled for a number of years because of limited funds in many, many departments and we have to be realistic as to whether some are more critical than a need that another department within the City of Scottsdale has that we might have to fund through the CIP. I'm sympathetic to this. I think the amount is way too big for one year. It would have to be spread over a couple years. And that most of these projects as was mentioned should probably be funded through the CIP off of a CIP list that has been carefully thought through by city management here so that we can determine which ones are considered critical and which ones can be pushed out, and so that would be hopefully the process we would follow.

I'm not prepared tonight to give you any particular amount of money that we should do -- we should set aside. That's really going to be after the list is gone through and we determine whether or not some monies could be available if we do have one-time funds available at the end of the year. That's my direction on this.

[Time: 05:31:38]

Mayor Lane: Thank you. Councilmember Korte?

Councilmember Korte: Thank you, Mayor. I look at our funding history over the last seven, eight years, and quite honestly I'm embarrassed. We talk about our city being an arts and culture filled community and yet we were' not walking the talk for it to be flat or less than 1% increase in total funding is -- it's certainly not supporting our cache. Yes, 1.5 million, I think that is that about it isn't it Neale?

Neale Perl: Yes. 1.4 without the Canal Convergence.

Councilmember Korte: It's a lot of money but I think it is money that is worth investing. I look at the Canal Convergence and I think the heartburn I'm having is that you're looking at a future funding. I see the value in the Canal Convergence this coming year given the collaborative efforts, and I think that synergy would be every great value to our city, and -- and putting resources into this arena supports our tourism industry and that is an important component of Scottsdale and I think we need to consider any decision regarding funding for the center for the arts public art, whatever that is, we need to consider and keep in perspective the value to our tourism industry for this. So I would support this expenditure and I would support the Canal Convergence if it was a one-time given your confidence in the success of

that, you would be able to raise the money from the private sector to fund it in future years.

Neale Perl: Thank you.

[Time: 05:34:10]

Mayor Lane: Thank you, Councilwoman. I think we've got some direction here, and it's a bit of a mix but I think there is a consensus we have we want to do something in this area and feel that there's a need to respond to this, and I frankly -- I know there's been conversations previously when we talk about those year-end funds. It's just that this is probably a bigger hit than I think most of us anticipated in the total amount. If we can't -- if we can, Mr. Behring, if we were to be looking at this from the standpoint of adding it to a CIP list and working closely on it, if these are our obligations and our buildings and everything we probably should get this in the mix. This aside from the Canal Convergence issue. And if they fit into that category we probably ought to be wearing they will good evening against a lot of other things with some prospect for funding --

City Manager Fritz Behring: For the record these items are looked at by staff, CIP staff, the question is with the budget problems that the city has had for the last several years we've had no flexibility to give extra money and because we have other departments who are asking for additional equipment, really the only thing -- if you have -- if the council gives us some direction as to, let's look at one-time dollars to help out this time, is there a number that you can support, and then we can try to look at this stuff differently in the future. But we do look at this every year. We just -- don't have enough revenue to cover this stuff.

Mayor Lane: Pardon me. I didn't realize it had been something that's been in the mix, and I sort of was surprised when I thought this was something new on the stage for us.

City Manager Fritz Behring: I think really as -- the question is, my understanding, is that we're going to have probably \$8 million of extra cash in the general fund when we get done this year more than we expected to have in looking at our five-year numbers. So my plan would be that at the end of this fiscal year, end of June, July, we come back to you guys and say, hey, I have some extra dollars, we're going to move it to the CIP to pay for programs for next year which has been the reality for the City of Scottsdale to use those funds. But if the council said, okay, instead of the \$8 million of CIP, let's put 500,000 into the arts or whatever that figure is, I'll just bring that to you at that time and you can make that decision at that point.

Mayor Lane: Couldn't it be part of what we move into the CIP? Let's just say of that \$8 million -- we don't necessarily have to separate it off but we now control it and run it through CIP as in the normal course of things.

City Manager Fritz Behring: At the end of the fiscal year I could come to you and say, based on where I'm at, where I think you need to be for the next five years' time frame, I have enough extra cash because of additional revenues we brought in or cuts in our costs of the operation that we'll have that \$8 million. At that point the council can decide, put a portion into the arts, put into it this area,

whatever, and you guys can discuss that –

Mayor Lane: I think there is probably consensus and I'll look around as I say this, but I think if we were to find another avenue for the Canal Convergence, obviously you're talking about a 1.4 approximately, I guess I'd heard the number of about half a million as maybe something that we want to look at this year. Now, it may -- maybe if there's more room or not, but I don't know, I think that was a number that somebody mentioned –

Vice Mayor Milhaven: One person mentioned it.

Mayor Lane: I don't know if I heard a number from anybody else. Okay. A million-four, half a million. I'll play the Councilmember Korte deal and we'll just average it.

City Manager Fritz Behring: Careful, I got in trouble last time –

Mayor Lane: That's because we didn't even go with the average. I didn't realize there was such a consensus on one and a half, but here let's look at it this way. If -- what –

Councilwoman Klapp: I'll give you a number if you want a number.

Mayor Lane: Well, then let's -- Mr. Behring, if we could, and maybe tell me -- stop me –

City Manager Fritz Behring: Please stop. It's been too many hours already.

Mayor Lane: I'm ready to stop.

City Manager Fritz Behring: I think if when we get -- right after we get done with the fiscal year I'll bring that information. I have an estimation as to how much extra dollars and I'll come to you with some ideas and say, hey, we can put this much dollars into the arts and this much back in the CIP program and the council can at that point say "yes" or "no."

Mayor Lane: But it's easy for us -- or several of us to talk about a million and a half dollars. I'm always concerned about other priorities we have in CIP, too.

City Manager Fritz Behring: I understand -- I fully understand that. I'm looking at -- I look at that every day.

Mayor Lane: Then let's follow that program right there. Is that okay with everyone? Consensus by nod of head. Okay. Councilwoman Littlefield? Sorry, Kathy. Yes, Councilwoman Littlefield.

[Time: 05:40:12]

Councilwoman Littlefield: I just had a thought that it might help if you could put some of these things together in integral units of smaller dimensions so that you could look and say, okay, what would it cost

us to fix the kitchen as opposed to all of these things in that one item. And kind of break it out that way and prioritize those things for us so you can say, these are the most important things that we really, really have to have this. So that we can look at it and say, okay, if we want to put half a million into the upgrades -- it's hard to break out. Do we do the 450 down here or the 226 up here? Make them in units that we can say, okay, we can fix the kitchen or we can do the carp carpet or staging or whatever and be able to put what we can afford together in finishing something up instead of doing bits and pieces of a lot of different things.

Neale Perl: I understand. We'll do that.

Mayor Lane: Thank you very much.

Neale Perl: Thank you, Mr. Mayor.

ITEM 34 – MONTHLY FINANCIAL UPDATE

ITEM 35 – REQUEST TO AGENDIZE A DISCUSSION ON CITIZEN AIRPLANE NOISE COMPLAINTS

[Time: 05:41:21]

Mayor Lane: Now, it is -- we have a policy that anything that occurs -- that we complete after 10:00 we'll put to a vote as to whether to continue or whether to continue the remaining agenda items to the next meeting. And so I'll accept a motion did.

Vice Mayor Milhaven: Mayor I move we continue the remaining items to the next meeting.

Councilmember Korte: Second.

Mayor Lane: Motion has been moved and seconded. We're ready to vote. All those in favor of continuing to the next meeting remaining agenda items please indicate by an aye and those opposed with a nay. It's unanimous. So that -- anything that remains. Anything that remains. We are done.

City Clerk Carolyn Jagger: Your Honor, to clarify, if it pleases the council, I could move it to next Tuesday. We have a study session on the bond. But both of these items don't require action by the council other than direction to staff. So if you like, I can put them on the agenda.

Mayor Lane: That would be fine.

Vice Mayor Milhaven: That would be mayor and council items?

City Clerk Carolyn Jagger: The Mayor and council item would go on next Tuesday and so would the monthly financial. Do you have a new one to put on? You could make it next Tuesday and we put it on for a future meeting.

ADJOURN

[Time: 05:42:43]

Mayor Lane: Very good. Thanks very much.