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CALL TO ORDER

[Time: 00:00:02]

Mayor Lane: Good afternoon, everyone. Nice to have you here. I'm going to call to order our May 17th, 2016, city council meeting. It's approximately 5:00 and we'll start with the roll call, please.

ROLL CALL

[Time: 00:00:18]

City Clerk City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

City Clerk Carolyn Jagger: Vice Mayor David Smith.

Vice Mayor Smith: Present.

City Clerk Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

City Clerk Carolyn Jagger: Virginia Korte.

Councilmember Korte: Here.

City Clerk Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

City Clerk Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

City Clerk Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

City Clerk Carolyn Jagger: Acting City Manager Brian Biesemeyer.

Acting City Manager Brian Biesemeyer: 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.

Mayor Lane: Thank you very much. That it's the Vice Mayor's last meeting as the Vice Mayor, he needs to make an entrance. We had that rearranged.

We have cards to speak on public comment, they are the white cards that the city clerk is about to raise over her head. We are didn't script this close enough tonight. But that's white card. If you have any written comments on any of the items on the agenda, we have the yellow card that she's holding over her head.

We do have Jason Glenn and Dave shore here and they are almost directly in front of me here, if you have need of their assistance and we do for any medical emergencies, please see our Scottsdale fire

department representative here for assistance and he is directly out here in front of me on the mezzanine or she. Pardon me. Let's get our pronouns right. So the areas behind the dais are -- council dais are reserved for council and staff. We have facilities over here to my left under the exit sign.

PLEDGE OF ALLEGIANCE

[Time: 00:02:03]

Mayor Lane: We start off this evening's meeting with the Pledge of Allegiance with Troop 916 and their leader Rich Slavin. If you can, please stand.

Troop 916: 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: There should be a way to raise that microphone up, if you could. I think you have to loosen it. And then if you can turn it around and face the crowd, you can each individually introduce yourself and tell us where you are going to school and what your favorite subject is.

Jacob Slavin: I'm Jacob Slavin. I go to North Canyon High School and my favorite subject has to be government.

Ben Stall: Hi, my name is Ben Stall, I'm in 7th grade and my favorite subject is science.

Andrew Slavin: I'm Andrew Slavin. I could to Cactus View and my five favorite subject is math.

Alex Winsett: I'm Alex Winsett, I go to Cactus View and my favorite subject is math.

Nick Satu: I'm Nick Satu and I go to Canyon Elementary and my favorite subject is math.

Eric Mariano: My, I'm Eric Mariano and I go to John Jacobs Elementary School and my favorite subject is science.

Jared Kane: Hi, my name is Jared Kane and I go to Moon Mountain School and my favorite subject is social studies.

Kevin Breyer: Hi, my name is Kevin Breyer, I go to Herm Academy and my favorite subject is technology.

Mayor Lane: Okay. Thank you, gentlemen.

INVOCATION

[Time: 00:04:37]

Mayor Lane: For our invocation this evening, we have Pastor Rick Holman from the Scottsdale Bible Church. Pastor?

Pastor Rick Holman: My name is Rick Holman. And my favorite subject was P.E. We thank you for this privilege. Our Lord and Savior, we are grateful for this evening. We are grateful that this is a day that you have made and we will rejoice and be glad it. We are grateful for the provision of this place that we have to come and just do the business of this city, and so, lord, I pray your blessing upon this evening, that your hand would guide with principle and with honor all that needs to be done here. Lord, unless you build the house the laborers build in vain. Lord we give you this night, I pray for wisdom and discernment and just a sense of unity in this room this evening, and I give you all the glory for it. In Jesus' name amen.

Mayor Lane: Amen. Thank you, pastor.

MAYOR'S REPORT

[Time: 00:05:35]

Mayor Lane: Just a little report tonight is as I mentioned earlier, and frankly was not staged that way, but it was somewhat appropriate, but we won't have an exit on the other side of it. But tonight is Vice Mayor Smith's last meeting as Vice Mayor, and I want to thank you, Vice Mayor for, well councilman now -- no, you still are until the end of the month, but vice Mayor for your time and commitment, while serving as Vice Mayor. So thank you very much for that.

As of June 1st, we'll have councilwoman Littlefield will assume the Vice Mayor's role. We are looking forward to that. We will make that transition at that time.

PRESENTATIONS

[Time: 00:06:43]

Mayor Lane: So we have also got a presentation on the Parada Del Sol, a 2016 recap and awards presentation. With that, we have Wendy Springborn, Parada Del Sol board president.

Parada del Sol Board President Wendy Springborn: Good evening Mayor and Council. Thank you so much for allowing us to make this presentation this evening. What I want to do real quick is just throw it to the tech people for a quick video of just a montage of the event.

[Video]

And a big shout out to E.S.I. for pulling this video montage together. So thanks, guys.

Just a quick recap. We had -- we approximated about 20,000 who showed up for the parade. About 10,000 who stayed for the trails and the celebration orb excuse me, festival. We had 103

entries. We had outstanding, probably best participation we ever had from the Scottsdale unified school district. It was phenomenal to have that many bands there. No incidents with any horses. So we were incident-free. We had great participation on Scottsdale Road at both of the stages, and we want to thank and we thoroughly enjoy our ongoing partnership with the city. It really is a work of love and we see that the city enjoys it as much as we do, putting it on.

But mark your calendars, Saturday February 11th, 2017 is the next parade. We have it set already. And we also know that the Pony Express will be delivering the mail the Friday before on February 10th. So we are really excited to pull those two groups together. And we will be continuing a partnered approach with the city, with the merchant outreach, just to solidify how we are moving and how we are doing things in the downtown area.

So rather quickly, we have a presentation for council. So I don't know, Mayor or everybody or -- okay. Don is going to bring it to you. We have a little thank you for, again, your ongoing support and appreciation.

Mayor Lane: Thank you.

Parada Del Sol Board President Wendy Springborn: For the work that we get a chance to do together. And then finally, you know, we strive to be able to put on a great event, and we also strive to additionally give back to the community and we had a parade marshal this year which is stars, Scottsdale training and rehabilitation services. So if Dave could come up, and Gina. I'm sorry, Betsy, and Gina. I'm sorry. Dave, Betsy and Gina, stars. Good, good.

We have a quick presentation for them and a little check to be able to provide to our charity of choice for this year on stars. On behalf of Parada Del Sol, we would like to present with you a framed poster for this year and also a check for \$1,000.

STARS: Thank you very much.

Parada Del Sol Board President Wendy Springborn: Thank you again for this opportunity and we look forward to many more years of success and being able to give back to the city of Scottsdale that we love. Thank you.

Mayor Lane: Thank you. Thank you again to all the Parada folks and another great accomplished year and we also look forward to a continue -- a great continuing partnership. So thank you so much.

PUBLIC COMMENT

[Time: 00:12:46]

Mayor Lane: Next order of business that we have would be our public comment time, and the public comment is reserved for citizens comments regarding non-agendized items in which no action will be taken on these items. Speakers are limited to three minutes each. We have a maximum of

five speakers at this time, allowed. There's no commingling or donated time, so it's strictly three minutes to each individual. And we will start with -- and we also -- I would say we have another time at the end of the meeting for some additional time -- public comment if it's needed.

But we will start at this time, we have three cards to request to speak. Janet Blum.

Janet Blum: Hi, thank you. I believe we have a little PowerPoint of some slides. If technology can make it work, that's great. Okay? Thank you to Mayor Lane and the members of the city council. I'm very excited to be here to talk about a wonderful partnership that the Scottsdale Unified School District has with all the wonderful fine arts resources that we have in the city of Scottsdale.

My name is Janet Blum, and I have lived in Scottsdale since 1976. I have been around for a long time. I have been an educator for 43 years. I'm not a rookie. I have been doing a lot of different things and a lot of different programs. I am currently the co-fine arts coordinator Scottsdale Unified School District person, he coordinated all the students marching in the Parada Del Sol. That was a great lead-in for us. Mike is also a resident of Scottsdale and has been here for a very long time and also has 40 some odd years of education behind him.

Part of my belief is to engage students in the arts and to discover the importance of the arts in their lives. I was a Coronado high school teacher for many, many, many, many years and probably some of you in this room, I -- I taught. I have been around for a while. I sought out programs because part of my belief is to engage students in the arts. I feel it's a very, very important thing in their life and it's important at a young age they discover that importance and how it can change their lives. At Coronado, I sought out different kinds of programs and partnerships with Scottsdale organizations to engage, inspire and create a love of the fine arts with students within this city. As coordinator with my colleague Mike, we have partnered with the center of performing arts and SMOCA through numerous years. Some of the programs we have worked on, we have vision. Kennedy Center partnership, the empty bowls which I will say we were wonderful crazy partnership. We were out at stars on -- last week. Thursday working community service with the Scottsdale unified school district and the center for performing arts working on empty bowls at stars. It's great to see you here again.

We also work through cultural connections. We are bringing residences and people into the schools and doing wonderful, wonderful programs and impacting kids' lives. We also come to the showcase festival that they have every spring, which is just amazing to watch students who have been learning all of this all year long and they come and they stand there and they recite poetry and they play instruments and they act and they dance and they show visual art. We also have a very special partnership that my cohort Mike Miller has worked on with the center where we do a festival partnership. We have been doing this for three years and we bring in high school and middle school groups that get to perform in the wonderful center for performing arts. The partnership between our organizations allowed for academic growth for students, expansion of cultural heritage in all different forms, consistent opportunities for arts experience. It's not just a one-time shot. It goes on and it gets deeper and deeper and deeper of what we are doing to address all the needs.

Mayor Lane: If you, could the time has expired.

Janet Blum: Thank you. Thank you very much and thank you for allowing us to be here.

[Time: 00:17:51]

Mayor Lane: Thank you very much. Next, Judd Herberger.

Judd Herberger: My name is Judd Herberger. My home address is 7181 East Camelback Road and I'm here to encourage the city council to continue and even expand the Canal Convergence that happens in Scottsdale. We moved here in 1948, 1947, '48, and had a rental home and cattle track, right next to the canal, and my brother and I, and the George Ellis' two boys used to water ski behind their pickup truck on the canal up near McDonald and going north from there. Don't tell Salt River project but I think after this many years the statute of limitations has run out. So I'm not too worried.

We had our first shopping center project that is now where Nordstrom's is. It backed to the canal, and the first group that actually looked at improving the canal was called the canal bank beautification committee, and Billy Gentry was on that, and we had a great amount of fun and we sort of tenderized Salt River project. We didn't get very far but we at least got the wheels moving and got them thinking, you know, we've got an asset here. Maybe we can utilize it a little bit better. And that was a really long time ago.

The Canal Convergence, Billie Jo and I bumped into a couple in the Rockford, Illinois, and the Illinois River runs through Rockford. We said we were from Scottsdale. They said we saw the most interesting thing with the canal in Scottsdale. They just went on and on. They were going to present the Canal Convergence concept to the Rockford city council. So not only is the convergence a great thing for Scottsdale. It's probably going to flourish in other places as the San Antonio one was sort of our stimulus to get something going in Scottsdale.

I would really encourage the expansion of the convergent concept. It includes people in the food industry, security, construction people. It seems to me like a win/win thing, and it really sets our little community apart from others. So if you could see your way clear, let's get it bigger and better and expand it in the future. We sure enjoy looking down on it. We live at 7181 as I mentioned and we love it when the convergence is in full bloom. Thank you.

[Time: 00:21:23]

Mayor Lane: Thank you, Judd. Next we have Neale Perl. And I know you prewarned me Neale that you might run a little over.

Neale Perl: I will speak quickly. Good evening Mr. Mayor and members of the city council. I'm here tonight to speak briefly about the success of Canal Convergence and our plans for next season and beyond. Canal Convergence has become a distinction and distinctive event celebrating the beauty of downtown and the vibrancy of the waterfront. It's no coincidence that as a tool to attract

visitors to our city, the CVB shows amazing images of waterfront adorned with the festive work of celebrated international artists, brought to Scottsdale by the cultural council and our acclaimed public art program. In the period of just four years, our visitations have grown over 500%.

But the exposure is far greater than that because for this last event, we installed the work of one of our major artists in the shoulder season last fall, thereby activating the waterfront for a full six months instead of just a few days. Our commitment to the events' success has been greatly supported by Owens Harkey who has assisted us in our marketing. As you can see from this slide we have received impressive local and national exposure for our city. The current fiscal year, Owens Harkey has been able to leverage our small investment to receive over \$380,000 of media coverage, almost a 400% return on your investment. The combination of even better programming, a longer lead up to the event, and expanded media coverage has helped us achieve an increase in visitations of 84% this year.

As an event that has an established strong reputation and performance record, I'm here to let the city council know that we will be requesting support in the amount of \$200,000 to secure international artists now for Canal Convergence. Of course, we are most grateful for the support of the city council when they approved supports for the program in 2017 and I believe these numbers show an ample return on the city's investment. As we plan for the future, we have been told by Owens Harkey that an extension of Canal Convergence to two consecutive weekends would likely grow our attendance to 75,000 or more in 2017. This in turn would help local businesses and galleries drive increased traffic both at the waterfront and the entire downtown area. And, of course, it would assist CVB in promoting a weeklong festival to international visitors. As you can see from these images our staff is already working to secure top artists for both Canal Convergence for 2017 and 2018. Working with city staff and the council to get a decision soon would greatly help us in negotiating and planning for the extended display of art work for this signature event. We hope you will give this proposal serious consideration for funding in the fiscal year '17 budget to help us make Scottsdale the preeminent arts and cultural destination in the southwest. Thank you for your time and thank you for your support. Right on three minutes.

Mayor Lane: Right on. Very good. Thank you. Thank you, Mr. Neale.

MINUTES

[Time: 00:24:54]

Mayor Lane: Next order of business, I would ask for a request to approve the minutes, the regular meeting minutes of April 19th, 2016.

Councilwoman Klapp: Move to approve.

Councilmember Korte: Second.

Mayor Lane: Move to approve and seconded. There are no further comments. So all of those please indicate by aye and register your vote. Aye. It's unanimous on the approval of minutes.

Thank you.

CONSENT AGENDA

[Time: 00:25:25]

Mayor Lane: Next order of business are consent items 1 through 25. We have no requests from the public to speak on any of the consent items. Unless there are any items or requests to speak or reject any of the items on consent from the council, I would offer or ask for a motion to approve.

Councilwoman Littlefield: Mayor, I would like to pull item 8, please.

Mayor Lane: Okay. To regular. And item number 8, just for the record then will be moved from consent and it's the Parkview mixed use rezoning. Request to adopt ordinance 4254, approving a zoning district map amendment from central business downtown overlay, to downtown/downtown civic center type 2. So that will be moved off of our consent agenda and on to the regular agenda.

Any other comments at this time? Seeing none, and seeing no cards on the remainder. I would ask for movement of consent agenda absent item 8.

Councilmember Korte: So moved.

Councilwoman Littlefield: Second.

Mayor Lane: We are ready to vote. All of those in favor with an aye. Those opposed with a nay. Unanimous approval. If you happen to be here for the consent items, please feel free to stay and join us for the rest of the evening or exit quietly, please.

ITEM 8 – PARKVIEW MIXED USE REZONING (22-ZN-2015)

[Time: 00:27:13]

Mayor Lane: Move on to the next order of business and we will take item 8 first, since it was moved to the regular agenda, but we are moving on to the regular agenda items which are in entirety 26 through 31, but we will start with 8. Mr. Symer.

Senior Planner Dan Symer: The case before you is 22-ZN-2015, it's a request for rezoning for an existing building. It is located just off the Civic Center Mall. You have the center for performing arts, those that know the Blue Moose and the former Pepins building, this location. The site is in a mixed use designation of the general plan. It's also in the civic center type two designation of the downtown plan. The proposal is for a mixed use building, consisting of approximately 66 feet and three dwelling units, and approximately 17,000 square feet of commercial area. And I will be happy to answer any questions or hand the presentation over to the applicant.

Mayor Lane: All right. Thank you, Mr. Symer. I'm not sure exactly what the nature of the questions are, but I will hand it over to Councilwoman Littlefield for whatever questions that you might have.

[Time: 00:28:33]

Councilwoman Littlefield: I pulled this item because it's a zoning district map amendment, right in the middle of our downtown and on the Civic Center Mall. And I don't feel that that is something that should be done just straight through consent without discussion or questions. It will affect -- this project will affect the entire look of the center mall. The height is increased from 36 feet to 66 feet. That's a pretty large height increase for a building of that size. It's going to change the look and the feel of the area down there.

And it changes the use of the land, the height, the parking spaces change. 26 parking spaces. They are proposing three. With 53 parking improvement district credits. That's quite a difference between what the parking actually may be for this, and this is how we get into problems with downtown parking to begin with, is we use this kind of a system and one of my questions is how can I park my car if I want to go there and all the parking spaces are full. How can I park in a credit? You can't.

And this is one of the things that we need to look at and say, why are we increasing and augmenting these problems in the downtown area and allowing it to happen? That's a problem I have with this.

I want to know, do you know what the use of this building is going to be?

Senior Planner Dan Symer: Mayor, members of the council, councilwoman Littlefield, as it pertains to the use, it will be office and residential:

Councilwoman Littlefield: Okay. I look at, it they are asking for a bunch of stuff that's going through here and I just really have to question as to what they are going to be doing here and in the mall itself. I just really felt we needed to have a presentation on. This we needed to have an explanation as to why we accept this increase in height and basically density. Thank you.

[Time: 00:31:18]

Mayor Lane: Thank you, Councilwoman. Councilman Phillips.

Councilman Phillips: Thank you, Mayor. Well, I would agree with that too. Think about this. This is the Scottsdale mall. That's right across from us. That's where the fountains are. That's where the art work is. SMOCA building, where the families go. This applicant is asking to put in a 66-foot tall building with residences living in there and from what I understand there's a C.E.P. for live entertainment. It's not office building. That's like a nightclub. So I think this is totally inappropriate for this err, and I would not be voting for it and I -- seeing as Councilwoman Littlefield, I don't understand why this wasn't a council agenda item because of all the things that this person is

asking for. Just to put it in the consent agenda and hope nobody sees it, I don't think is the proper way to do it.

I will go so far as to move not to approve item number 8.

Councilwoman Littlefield: I will second that.

Mayor Lane: The motion has been made and second. Any further comments from the seconder?

Councilman Phillips: Which would be Parkview mixed use rezoning.

Councilwoman Littlefield: The questions I have are pretty much what I said and what Councilman Phillips. This err asking for a C.U.P. and a liquor license, and all of these things that is not consistent with office space and residential space. It really leads to the question of what are they going to do in the mid -- middle of our mall.

Mayor Lane: Thank you. Vice Mayor Smith.

Senior Planner Dan Symer: Mayor, if I may. Let me be clear that a C.U.P. is not being asked for in this case. The C.U.P. is referenced on as a history in a related document. As part of the rezoning of this application, the C. U. P. for live entertainment and patron dancing that is part of the standard code in a zoning ordinance. As related documents and as indicated in the reports, it indicates in all of our reports, all previous approvals. So the reference to the C.U.P.s in this case are there for your purpose, for informational only, in accordance, with the zoning ordinance those C.U. P.s will be removed. There is no action by the council to remove those.

Mayor Lane: Thank you, Mr. Symer. Again, Vice Mayor.

[Time: 00:33:38]

Vice Mayor Smith: Thank you, Mayor. Thank you for clarify. That was going to be one of my questions. I didn't think they were asking for a C.U.P. but you clarified that that's the case.

The second question, the 66-foot height is what is allowed. Is that correct, in our -- is that a variance that's being asked for here or is that the permitted height for building in downtown?

Senior Planner Dan Symer: Mayor, members of the Council, Vice Mayor Smith, the current zoning allows 36 feet. The plans heights for the downtown district in this location, without any public benefit bonuses is 66 feet.

Vice Mayor Smith: The parking credits that are referred to the 53 parking improvement credits, those are, I presume, a carryover from the existing occupant on the property. Is that true?

Senior Planner Dan Symer: Mayor, members of the council, Vice Mayor Smith, that is correct.

The -- there's two parts to these credits, one is part of the construction and the maintenance of the garage, and the other part is part of the historical credit as the previous use of this property. So all of those historical credits were for the previous use, and are required for that live entertainment and restaurant use that was there previously. As you can see in the calculations, the substantial less amount of parking is required. They still will be maintaining the payment program that's required to maintain part of those credits.

Vice Mayor Smith: Thank you. I -- well, as a comment then for myself, I think any of you that have seen this particular property, it's -- it's pretty tired. And it would be an enhancement, I think, to have something replace it. I'm not keen on seeing something 66 feet high but on the other hand, it's one of the few projects that I have seen come through that actually matches the criteria of mixed use in the sense that it is providing residential, commercial, and office space. So often we are brought a project that's mixed use and it's only residential and I think they defy the objective of the downtown ordinance. That's it. I'm going to be supporting the project and not supporting the motion to deny.

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

Councilwoman Klapp: Mayor, since there seems to be some misunderstanding of some of the things that the building's intention are, I would like to have the applicant come and give a brief presentation on the planned building in this mall area.

[Time: 00:36:39]

Tom Frenkel: Mayor Lane, and council, Tom Frenkel. To answer some of your questions, as one of the largest landowners or property owners in the mall, I probably have the most interest in what does go on there and what gets built there. The history is I purchased the building ten years ago approximately. There was a tenant in there. It was a single restaurateur. I said I would never take his business away from him. I bought it to redevelop it. But as long as he wanted to stay and operate his restaurant, I would let him do so. That use did contain live music, dancing, salsa, after hours. The proprietor got sick approximately a year ago and ten years later, I'm finally able to do what I wanted to do ten years ago. I mainly didn't do it in respect to the tenant that was there.

Councilman Littlefield, in response to your question, what they are asking for -- I'm asking for it and I'm asking for it as someone that has been here 30 years, and holds my property and really cares what happens. So my architect is next to me. My marching orders to him were -- I own the building near the park. It was a similar building almost ten years ago. And I said to the architect at that time, who is not the architect doing this one, I want you to create a building that when people go through that park, say what a gorgeous building. Okay?

It's four levels. The third level and the fourth level are residential. The garages are provided. There's no garages or parking on site, I'm providing parking for the top two levels. The first and second level is tentatively scheduled for China Mist's headquarter where they would move down there, have a tea room and it would be a wonderful asset to the mall and something where you come to the mall now and you've got the performing arts center. You've got AZADH, but it's a few reasons

to come down there and do it. And the concern, I certainly understand but it definitely is not somebody that's putting up something there just to maximize height or maximize density or doesn't care what's happening. I very much do.

Councilman Smith, thank you. It is mixed use. We do have mixed use in the Clayton company -- or excuse me in the Clayton on the park on this -- on the third floor. There's two units and I don't think anyone even knows that they are there. They live there. They are very happy with their residency and it's the height I'm going for the 66 feet, which is what is allowed in that district under the rezoning.

And I actually am quite excited about doing the building probably will be as proud as I am the Clayton on the park, which is one door over. Thank you. And any questions you may have?

Mayor Lane: We do have -- well, we do have some questions but I'm not sure whether they are for yourself or not, but we will go ahead and try if you want to hold by for a second, for a little bit. Starting with Councilwoman Korte.

[Time: 00:40:12]

Councilmember Korte: Thank you, Mayor. I'm going to be supporting this project. The reason that it was on consent is that it is following all the downtown standards. What a great opportunity we have to replace an underutilized tired building in that location. So thank you Mr. Frankel. I appreciate that.

One question. What are the heights of some of the surrounding facilities such as performing arts and the parking garage? Give us an idea of how that's going to feel in there.

Tom Frenkel: Is that to me?

Councilmember Korte: It could be.

Tom Frenkel: Well, Clayton on the park which is one adjacent -- or excuse me, one over is a three-story building and my guess would be 35 feet, center of the arts is probably a little higher, I would guess, 45 feet. Az88 is a two-level building and probably, 30 to 35 feet -- they have a one level building but very high ceilings. Parking garage, I think we're about level with it or maybe a little higher because I have looked up on our roof at it.

Councilmember Korte: Okay. Thank you. Thank you.

Mayor Lane: Thank you, Councilwoman. Mr. Frenkel, I just, in reading through the narrative that you presented and certainly thank you very much for that. I have think it was very descriptive of what your intended use was here and how this fit in. It's not only the zoning and the request on this zoning that might be available but also to the point of -- of sort after dressing what we're hooking to try to do in the downtown and this, I think is -- it looks as much of a model application as we could hope for in that area.

And as you were mentioning, of course the -- I think it was the Spanish dance -- well, it had dance and salsa. Yes, salsa restaurant. That it was there for so many years and I was wondering since I have seen it closed as to exactly what was going to become of it. I actually didn't know that you held that property at this point in time.

Nevertheless, I'm in full support of this. I think it's -- it's balanced and it's nicely applied and I think it's -- it should be -- and I expect it to be a great addition to the area. Vice Mayor Smith?

[Time: 00:43:02]

Vice Mayor Smith: Thank you, Mayor. Mr. Frenkel, I thought I would give you one chance for an advertisement here regarding units, living units on the top floors. What size are they? Are they apartments? So anybody watching can send an application to you direct?

Tom Frenkel: The third floor units are approximately 2,000 square feet each. And then there's a penthouse on the fourth floor, which is 3,000 square feet.

Vice Mayor Smith: These are going to be condominium units?

Tom Frenkel: No, they are not. I put almost -- the third floor units, I put very similar units on the Clayton Park and we also just held them as long-term rentals. We really don't want to sell them.

Vice Mayor Smith: Thank you, Mayor.

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

Councilman Phillips: Thank you, Mayor. Well, I'm going to reiterate that well, for one, I don't know if you had meetings with any of the councilmembers. You certainly didn't have any meeting with me. 66 feet is too high for that area. Nothing else is like that. Again, no parking and not good for residents and as you just said, it's going to be a rental. I just don't think that's an appropriate place for people to live in the Scottsdale mall. So I continue to be against it.

[Time: 00:44:56]

Mayor Lane: Thank you, Councilman. We do have a motion on the table, Councilman Phillips' motion. If you are in favor -- it was for denial of this action. All of those in favor, aye. Those opposed with a nay. The motion fails 5-2 with Councilwoman Littlefield and Councilman Phillips in favor of the denial.

Councilmember Korte: Mayor?

Mayor Lane: Yeah.

Councilmember Korte: I would like to make a motion to adopt ordinance number 4254 approving a zoning district map amendment from the central business downtown overlay to Downtown civic center type 2 zoning with the amended property development standards. So, again, ordinance number 4254.

Councilwoman Klapp: Second.

Mayor Lane: The motion has been made and seconded. Would the second like to speak to it at all?

Councilwoman Klapp: Just as has been stated, the addition of Clayton on the park was a nice addition to the mall and this looks to be up to the same standards, if not even better than Clayton on the park and I think it will be -- it would be a definite good addition to the mall, appropriate for the area.

Mayor Lane: Thank you, Councilwoman. Mr. Frankel, thank you very much for your presentation on it and you do know that obviously given the quality of your work that we normally see from you, we are expecting great things for this, but thank you for the work that you are doing.

Tom Frenkel: Thank you, Mayor and Council.

Mayor Lane: With that, we have a motion and a second to accept this item. We are ready to vote. All those in favor, please indicate with an aye and those opposed with a nay. The motion passes 5-2, exact opposite order with councilwoman Littlefield and Councilman Phillips opposing it. Thank you very much.

That takes care of the item from consent to regular agenda.

ITEM 26 – PUBLIC HEARING AND ADOPTION OF FISCAL YEAR 2016/17 RATES AND FEES

[Time: 00:46:33]

Mayor Lane: We will start on the regular agenda hearing and adoption of fiscal year 2016-17 rates and fees with items 1 through 10 with resolution and ordinances and we'll be sure to hear about each one of them. So please. Mr. Biesemeyer.

Acting City Manager Brian Biesemeyer: I have a presentation on rates and fees for aviation, rates and sewer and then Dan Worth will follow up with sewer. We have the multiyear financial plans.

The aviation last increase was in August of 2011. There's no increase planned for this year, although we do have a dead issuance planned for FY '16/17 for the terminal area development.

Moving into water resources, our historical rates over the last six years and the rate request for '16/17 shows that we have increased rates less than inflation over the last six years, and are proposing no

rate increase for FY '16/17. Then however I do note that there is increasing pressure from our costs, the raw C.A.P. water which we purchase has continually been going up and I have to state that these cost projections, FY '17 is firm. The '18, '19 and '20 are estimates and they don't include any scenario where a shortage is declared on the Colorado River. Should a shortage be declared, you can anticipate a 5 to 10% increase in these rates.

For the long-term financing in the water and sewer funds, we have projected no financing needed in the next fiscal year, however, '17/18 and '23/24, we forecast some debt issuance.

We are proposing some adjustments in the cost recovery from various fees for specific services and those costs are projected to go up mostly due to materials and labor. And storm water quality increase is proposed and that's driven by a need for some capital improvements due to replace some pumps at a stormwater pump station, as well as for increased costs of compliance with federal permitting requirements.

Specific charges. In the water fund, we are requesting specific fee increases. You will note the ones asterisked are projecting for a two-year increase, meaning we are going to come back next year and ask for these. We are extending these over the next two years to mitigate the cost effect to the customers. The number is relatively small, with the exception of the one inch meter service line. And then as we continue up for the other meter sizes, you note there's one new fee and that's for a manual meter reading. We have customers -- replacing our manual meters with automatic meters, meters we can read through a signal sent out from the meter through a cellular signal. We have occasional customers that request not to have cellular meter on their premises. However, that does add cost to the water services. So we are requesting a \$2 per month fee for these customers.

Moving on to the storm water. We are requesting a 15 cents increase in the stormwater fee and, again, as I mentioned it's primarily to recover some costs for some pumps and motors for a storm water pump station, as well as a slight increase in our regulatory costs.

And as we typically do, the utility comparison, we set our cost not on what our neighbors charge, but we like to show how we compare to our neighbors. Our costs are set solely on our costs. But as you can see, we compare well. As you will note, as the -- the lower cost cities such as Chandler and good Gilbert or flat cities and we have different topography and there's a cost to pump water up hill. And then in the larger meter size of 1 inch, again, we compare in the middle of the valley cities.

Pending your questions, Dan Worth will discuss the solid waste fees.

Mayor Lane: Thank you Mr. Biesemeyer. I tell you what -- we do have -- actually, it's on this item. Let's go ahead with Mr. Worth first.

[Time: 00:51:49]

Public Works Director Dan Worth: Good evening Mayor and Council. This slide is really a summary, I will follow with some backup and give you some detail, but a lot of this is what you saw when we

made our initial presentation a couple of meetings ago, but summary, the last increase in solid waste was seven years ago. We don't anticipate an increase in the residential program for another three years. We do propose rate increases of different amounts and of different lines that make up our commercial solid waste program. The reason is because we are not fully recovering our commercial program costs. And the increases are part of a two-year plan to get us to where we are fully recovering our commercial program costs.

This is the current situation that we have. I will point out two key things. If you look at the sources over or under uses, down towards the bottom, the fourth line, you can see that we're running a deficit each year, and the size of the deficit is growing. The other thing that I want to point out is the bottom line, pending fund balance is shrinking which is going to happen when we are running an annual deficit, and we are projected within two years to start approaching our operating reserve, which is somewhere in the neighborhood of \$5 million, 90 day operating preserve will be a quarter of our total annual expenditures.

So that is what we indicated, that it was time to take a look at the rates. We commissioned a rates study. This is the same information current situation broken down, residential program, commercial program, and you can see in the commercial program, if you take a look at revenue versus expenses, we are running about a 40% shortfall. So you've got a big deficit on the commercial program, still running a bit of a surplus on a residential program, two key points there. That surplus is paying for that deficit. So we're basically taxing our residential customers to make up the shortfall on the commercial accounts.

The other point on the residential program is that surplus is dwindling, as costs continue to go up and then we anticipate we lose that surplus if there is no future rate increase in fiscal year '19/20. So we take a five-year look at both residential and commercial. The goals of the commercial program provide an alternative and it is an alternative. There are other private providers of commercial solid waste services, were a monopoly for the single family residential customers but we are competing on open market for the commercial customers. And -- and as one of our goals provide a cost effective alternative, and to ideally support the residential program, as you can see on the previous slide we have gotten upside down on that. The residential program is actually supporting the commercial program. That's the situation that we want to fix.

I will also point out that it's never actually been a goal that we have adopted to aggressively expand our market share or to expand in competition with those private providers. I know you have seen some suggestions that if we just had more of these services, the cost per unit would go down and we would be able to maybe reduce the rate impact, but, again, that's a choice that we have to make. Do we want to go out and aggressively mark and compete against waste management, republic or do we want to simply provide an alternative until such time as an alternative is no longer needed.

The next three slides, we will show you the details of the rate changes that we propose. You have seen these before. Some of the numbers have changed. Those numbers that have changed have all changed for the better. We have been able to reduce amount of some of the rate increases and I will point those out to you.

This slide is our commercial front load program. That is the biggest part of the commercial program. About 60% of our total commercial program is the majority of our 1400 plus commercial customer accounts, and what has changed is previously we are proposing a 15% increase across the board for each different size container that you see here. We have been able to reduce that. This is a 6% increase, 8%, and it ranges up to a 14% increase. So we have been able to mitigate that increase pretty significantly.

One of the ways that we did this was we -- we actually in one of the first drafts of the rate recommendations from our consultant, they incorporated a discount for multiple pickups per week. We have never done that. Other communities do. We never have, but when we took a look at the overall effect of the rate increases, we decided now wasn't the time to add a new discount by pulling that out, we're able to keep the same rate structure and significantly reduce the amount of the rate increases.

And I would also in response to some questions that you have asked the last time that we talked, obviously, this will have an impact as we'll -- all of these rate increases will have an impact potentially on our customer base. So far -- and we started notifying customers the beginning of March. So far we have gotten notice that out of 1440 or so customers, 7 are intending to stop service as a result of the rate increases on the commercial side. I'm not saying that's the final number but that's what we are seeing so far and the notice has been out there.

Another category of service our roll off service, this charges the same as I showed you previously. This represents about 16% of our total commercial program, fairly substantial increases, but -- in an average year, we have in the neighborhood of 2,000 customers. Some of those are recurring contract accounts where we pick them up on a one-time basis, and many of them are one-time uses sore short tiff time uses but since we posted the notice we have gotten notice from two accounts that they intend to stop the service. So, again, not seeing a -- a huge reaction. One of those customers that notified us that they intended to stop the service was gracious enough to share what they were getting from the other private providers and even with the rate increase, we beat the price that was quoted to them by one of the private providers. We didn't beat them both. It may an indicator that it's not terribly out of line with what's available on the market. We hope that's the case.

Commercial recycling charges, this has been a significant change here. The proposed fee \$220 regardless of the size of container. This was 280 when I presented it to you initially. This \$40 fee for the 300-gallon containers was \$125. We reduced those. This was a result of scrubbing the cost allocations in the rate study and there were some pieces of equipment that were allocated to this program that reasonably could have been allocated elsewhere. We did that. We reduced the cost impact. So far, we have lost three accounts on these 300-gallon containers and each of those accounts was a combination where they were taking advantage of both the front load service and the 300-gallon containers for recycling service. So that impact, and, again, it could change, but that impact that we are seeing so far is not huge.

This is a repeat of the first number slide that I showed you with the rate increases. This is what we

see and, again, I will point to the sources over uses. We have a deficit, this current year, but the proposed rate increases will get us out of the deficit situation through the five-year plan and when we are looking at the entire program, the entire solid waste program, when you break it up between residential and commercial, the residential is running a surplus. It decreases. This is '19/20 and this is not part of the action this year. But we anticipate asking for a \$1 per month increase on residential program in year five.

On the commercial program, a big deficit this year. The impact of the proposed rate increases for next year reduces that deficit. We anticipate that there will be another set of smaller increases the following year that will get us back up to full cost recovery and then we anticipate monitoring the rates to keep us at full cost recovery as we move into the future. I don't know exactly what those rate increases would be the second year because that's dependent on the customer base and how it reacts to this, how it continues to react to this. It's also dependent on some operating efficiencies that we are working to achieve. But we anticipate that whatever the increases are going to be the second year, they will be much less than the increases that we're proposing this year.

And just to remind you, I showed you this in the last presentation as well, we have been outreaching, providing information to each individual customer, answering their questions. We created a tool form on their websites so we can calculate their rates and we are continuing to move forward in the process. And with that, I can answer questions to the solid waste portion or we can move into the next segment of the presentation.

[Time: 01:03:00]

Mayor Lane: Let me -- we do have some requests, I believe. They are related to this solid waste. So I will go ahead and hear them right now. We may specific questions on solid waste to follow from the council. And what I'm going to do is ask -- since we have a large number of fees and charges indicated under 26, but I believe these are all related to solid waste. So I'm going to go ahead and ask, and if they are not, if they are on another subject, let me know and we will hold off until we get to that section.

Cindy Adams. Is it in regard to solid waste? I'm assuming the answer yes.

Cindy Adams: Yes, it is. My name is Cindy Adams. I live at 4200 North Miller road, just across Indian School over here in Scottsdale Marquessa. Good evening to Mayor. I'm the president of the Scottsdale Marquessa Condo Association. I have been the president of the association for five years.

In 2014, our board of directors at Scottsdale Marquessa reviewed all the major contracts and we approached the city about refuse pickup but more importantly about a recycling program. Recycling was requested by our residents for many years and we were looking for an opportunity. We became sort of a pilot for recycling for high rise condos. We formed a committee. We worked with city staff. We educated our owners and found appropriate containers for our five-story building. We increased our part-time maintenance time by 10% to collect all the recyclables and put them in the dumpsters and community was absolutely thrilled with the program. It's been very, very successful.

We feel that we are making a significant impact on our contribution to decreasing our landfill -- excuse me, our landfills and embracing our civic duty to -- to protect the environment.

Then we were hit by a truck, figuratively, of course. But we were notified about our rate increase and we were notified that it would increase 400%. From approximately \$400 per month, for refuse and recycling to \$760 for refuse alone, and to continue our recycling program, it would go to over \$1,600 per month. Currently we are classified as commercial, but in reality, we are just a compact unit of 113 single family residences. We are not retail. We are not an office building or an apartment complex. We are tax paying citizens would care about the environment, and feel that we should get the same services as a reasonable cost as our fellow residents who live in single family homes.

The P.R. materials for Scottsdale talk about us being a world-class community. We brag about our robust business environment, mentioning SkySong and leading edge medical facilities to the north. If we are world class, how can we justify pricing our recycling program so high with a 400% increase and still have a clear conscience? The summary of the study that was commissioned from New Gen says the residential recycling will be increased. Please help me understand and the residents of Scottsdale Marquessa how the refuse and recycling from our 113 residences are different than that in a single family home. We ask the council to reevaluate the rate increases for solid waste management and reclassify Scottsdale Marquessa to residential status. Thank you.

[Time: 01:06:48]

Mayor Lane: Thank you, Ms. Adams. Next is Dane Englert.

Dane Englert: My name is Dane Englert and my favorite subject is science. I'm a member Environmental Quality Advisory Board and today I'm speaking on behalf of the board. Last Thursday our chairperson Alissa McMahan sent a letter to you detailing the reasons that we oppose the recycling rate increase and provide alternative action in place of that increase. We believe that the increase is premature. It's against the mission of the city and will effectively kill the program. It is premature because that study does not address some of the cost efficiencies that could be made with the program. The -- also the recycled material market currently is way down. So that's also affecting the cost recovery. This rate increase is also against the mission of the city to -- for better services for the world-class community.

And last council meeting, we awarded Hyatt for their green practices. Think it would kill the recycling program for multiuse family dwellings and also commercial increase. We just heard the percentage of some of the increases for the e recycling program. We appreciate the need to fairly distribute the costs, however, we believe this is a giant step backwards and therefore, I propose to the council to direct the following actions: One, to implement the appreciated efficiencies and cost savings to grow the program. Right now it's underperforming compared to the residential program. We think the -- we should build the solid waste vision to reflect the values of a world-class at the and develop a strategic plan that grows the waste diversion, implement best management practices and define strategic measurable goals for growth. I hope the Mayor and the council take the Environmental

Quality Advisory Board's advice into consideration before your vote. Thank you.

[Time: 01:09:36]

Mayor Lane: Thank you, Mr. Englert. Next is Alisa McMahon.

Alisa McMahon: Good evening, I'm Dr. Alisa McMahon, from EQAB. Tonight I would like to make a handful of points that were not included in the memorandum in the interest of length. First, I will get to the slide in just a moment. First we covered several limitations in the rate study but not the new compactor surcharge. The rate study analysis omits several considerations in that regard. First, when a customer has a compactor, the solid waste department has no asset in the field and by that I mean there's no frontload container at a cost of \$700 to \$1,100 and no roll off container at a cost of \$2,300 to \$4,500 in the field. Similarly, the solid waste department bears no container maintenance cost because there's no containers. Second, it's illustrated very well in the Hyatt presentation, a compactor means fewer pickups and fewer pickups means less fuel, less vehicle wear and tear, lower labor cost, fewer work-related accidents, less air pollution. Compactors provide several benefits and the compact surcharge is another example of considering cost of service in a vacuum.

Second, I do, of course, hope that you do not adopt the rate increase ordinance this evening. You should be aware of some problems with the language. The excess tonnage would not apply to recycling. The pink box comports with that, however, on page 15 of Exhibit a -- oops. This does not work. Again, in the pink box there, let me find my place, excuse me. The tonnage is listed in the recycling column. So there's a discrepancy between the ordinance language and what I think it is supposed to be. There is a similar inconsistency with the compactor surcharge. Again on page 5, the recycling rate with a 30 cubic yard and a 30 cubic yard with compactor are the same. The compact surcharge is again listed in the recycling column.

Third a few notes about customer impact. Oh, I'm not sure if I'm advancing -- there we go. The customer impact there at the top, on page 6, yes, it states that roll off customers would experience an increase of 32 to 49% and I'm actually departing here and talking about trash, not recycling. According to my calculations that increase is actually more like 63 to 97%. And that is roughly double. That does not include charges for the additional tonnage. As you know, the tonnage included in the base price would drop from 5 tons to 3, which would also increase the rates. To give you a real world example, the Hyatt calculated an 85% increase in their trash roll off fees alone.

Finally, in that same section, the report states that recycling customers would experience a 13 to 306% increase. That is accurate. However, that range is a little bit skewed because the 13% increase is the 90-gallon cart, and that's the same size we have in the residential and that's not a typical commercial side. The increase on the dumpster, ranges more. The private providers are not required to provide recycling in the city of Scottsdale, let alone affordable recycling. In closing, this is the news release from the Hyatt presentation. I just wanted to share with you a quote from it. I won't read the whole thing. Rather the Hyatt demonstrates that financial success and environmental stewardship are interrelated and mutually achievable goals. As Hyatt regency exemplifies, we don't have to choose between environmental and financial considerations. It's not an either/or situation.

In my experience, we rarely have to make that choice.

Mayor Lane: If you could please wrap it up.

Alisa McMahon: I'm sorry. Sometimes the payback is quick. Sometimes it's longer term, but if we look at the big picture, what's good for the environment and what's good for the balance sheet are almost always the same. Thank you. I'm sorry for going over.

Mayor Lane: Thank you, Ms. McMahon. That completes the testimony on this item. I don't know if -- yes. I will go ahead and consider this area at this point in time, which will be the first four items on 26. Vice Mayor Smith?

[Time: 01:14:44]

Vice Mayor Smith: Thank you, Mayor. I guess I have questions for Mr. Worth. I don't know whether you want to come back to the podium or answer from the floor, but on the recycling program, how much revenue do we generate from the recycling, the commercial recycling program or the recycling program in total?

Public Works Director Dan Worth: I guess I will answer from the podium.

Vice Mayor Smith: While you are coming up here, I know you showed a revenue stream and I didn't know what part of revenue stream was from recycling and pickup charges.

Public Works Director Dan Worth: What I'm showing -- what I'm trying to get shown up on the screen is -- the revenue that we get from our recycling vendor, when we sell the material, you are asking revenue in general, that would be the recycling revenue, plus the rates that we received to pay for the service. I can pull those numbers out. I don't have that readily available. This gives you an idea of the program, the left-hand column, the residential program, we received in the last complete fiscal year of \$410,000 in recycling revenue, on the commercial program, 19,000. So it's a very small program.

Vice Mayor Smith: And actually, although this was not really the question that I was asking. I was really asking which the pickup fee revenue from the --

Public Works Director Dan Worth: Yeah, I would have to dig that out.

Vice Mayor Smith: While you have this slide up there, perhaps you can talk to the question of why the revenue from the sale of this material, if you will, has gone from 1.2 million a few years ago, down to a third of that number last year.

Public Works Director Dan Worth: It's market based. We sell this material to a processor that turns around and sells it on recycled materials markets. The big ones are paper, cardboard, and various types of plastics and you will hear that there's a lot of external impacts that affect the market rates.

We have been hearing a lot over the last couple of years is the reduction in the price of petroleum, oil, has made it cheaper to produce new plastics and to recycle. So the bottom is falling out of that market. And similar things, you hear international pressures blamed for the recycling revenue we get for the paper products, but it's been -- as you can see, it's a steady downward trend. The volumes haven't changed substantially. It's the market price that we are getting in return for the commodities that has changed.

Vice Mayor Smith: One of the speakers made the comment that the current environment for the sale of recycled materials is depressed. And certainly it looks depressed for any number of reasons. The rate increases you are proposing for the recycling program would generate increased revenues you say by about \$300,000 a year; is that right?

Public Works Director Dan Worth: That sounds about right.

Vice Mayor Smith: I can't help but if we just got back to the value of sales value that we had two years ago in 2013, would you recoup 300,000, just from the higher value the material. I think that's just a mathematical truism, whether it's doable or not, but that's the order of magnitude.

Public Works Director Dan Worth: I would also propose that if the market is coming back to the point where we are making \$300,000 more in the sales of are recyclable materials, you are probably seeing a concurrent increase in the cost of oil, which is going to drive up our costs to collect the stuff. So it balances. Our overall costs when you take into account the revenue that we get for the recycling, have increased slowly. It's stayed fairly flat, a slight increase.

Vice Mayor Smith: The current recycling program, can you tell me an order of magnitude and maybe you don't have the statistics there, but a lot of your pick up environment knew, I will call it that, I don't know what the right word is for it, the revenue to pick up, \$7.75 proposed to go up to \$9 a month, for that group of customers, can you tell me, is that the dominant share of the recycling program or just the dominant share for pickup in the future if these prices went in. Does it come from residential or does it come from larger containers?

Public Works Director Dan Worth: The chart that we showed you to include the \$9 per cart fee that the one speaker alluded to. Those are all commercial. We have commercial accounts that have a 90-gallon residential-style container for the recycle, but those are all commercial accounts.

Vice Mayor Smith: Okay.

Public Works Director Dan Worth: The residential recycling is part of the \$16 per month that each residential customer pays for both our recycling refuse and also the brush and bolt service.

[Time: 01:20:39]

Vice Mayor Smith: Thank you for that clarification. The -- I guess I am -- and this is not a question as much as it is a comment. I am persuaded by a lot of the testimony and the emails and whatever

that we have gotten on this subject. That maybe the program is ripe for study in other ways, whether it's hoping that it grows, hoping we can reduce the costs, hoping we can get a recovery and the sales volume of recycled materials. Hoping for a lot of things, something other than this level of proposed recycling rate increase. I don't particularly have a problem with what we are doing on 90-gallon -- the 90-gallon containers, the typical containers we have in our own home, but I think it's persuasive that many of the larger containers as many of the speakers pointed out an aggregate of multiple residential that are doing their part for environment. I for one am not in favor of imposing an increase in the commercial solid waste recycling program with the possible exception of allowing the 90-gallon cart charge to go from its current \$7.95 to \$9. Thank you, Mayor.

[Time: 01:22:09]

Mayor Lane: Thank you, Vice Mayor. Mr. Worth, I have just a couple of questions, really, at this point. There was some confusion as to whether the commercial providers actually have an obligation or that they do actually provide recycling services for commercial building.

Public Works Director Dan Worth: The private operators don't have any obligation. They don't have any obligation to provide any service. They are operating in the market. The larger private providers do provide recycling services to customers in the city of Scottsdale. You can drive around and see republic services, recycling services outside of some businesses. So it's there. It's available in the market. We are not the only provider.

Mayor Lane: And pardon me for the misuse of required. That was something that was said. Obviously they are not mandated by my means to provide competitive service to a customer who is willing to pay, but those services are provided -- are available.

Public Works Director Dan Worth: Available, yes, Mayor.

Mayor Lane: When we talk about solid waste, are we including our brush pickup program or electronics or chemicals?

Public Works Director Dan Worth: Mayor, yes, we are. The brush and the bulk program is part of the basic range of services that each single family residential service receives that's part of the \$16 a month fee. The household hazardous waste and the electronics recycling events or services are also covered by that residential program. We factored those into the total costs of that program.

Mayor Lane: So they are all included?

Public Works Director Dan Worth: They are all included.

Mayor Lane: And obviously, there's no separate charge for them. Is there any mitigation of recovery on any cost in the chemical or the electronics? Obviously, I would not believe somebody would be paying us for brush, but nevertheless.

Public Works Director Dan Worth: We have a vendor that we use for the electronics recycling. They recover some could have but it's reflected in the bid that they provide to us for the services. This is lower because they can offset some of their costs.

Mayor Lane: But even if we were to make a relative comparison between the available services on recycling and I'm talking about the solid waste, I guess in total, but that goes into the solid waste, not on any kind of recycling? The chemicals and the computers?

Public Works Director Dan Worth: That -- those costs and any revenues that we get, well, we don't get direct revenues. The costs are all included in a residential solid waste calculation.

Mayor Lane: And also the commercial. No, I'm sorry it's all residential.

Public Works Director Dan Worth: We offer it as a residential service.

Mayor Lane: Okay. Is there some additional contamination cost issue with commercial, recycled material?

Public Works Director Dan Worth: I'm not aware that we have got any problems with any level of contamination in our commercial pickups that's any greater than what we get in the residential pickups.

Mayor Lane: And one final question at this point in time when we bid out a few years ago the solid waste, did we get quotes on the recycling separately and distinct and do we have a competitive cost comparison?

Public Works Director Dan Worth: We didn't actually bid out the solid waste services. We procured the different residential services and we took a look at the prices that they were getting with different methods whether they were bidding out a portion of it or giving residents a list of providers and letting the residents contract themselves. There's a whole range of doing it. We did some cost comparisons. We adjusted numbers to match our changes. We were not soliciting bids. When we did, that it was the whole residential collection, refuse and recycling that we analyzed.

Mayor Lane: We would be working with what we have long-term contracts for landfill and for transport, or rather transfer stations and all of that which we already have within our -- either contracted or fixed costs?

Public Works Director Dan Worth: We do have a long-term contract that we just reviewed with the Salt River Pima community. They provide the landfill and the transfer, as well as the materials recycling services that we use.

Mayor Lane: So if we were to make some change, it would be if we were to have followed that path, because of reasons that we determined that were advantageous for us to do so, we would have then included those contracts within it?

Public Works Director Dan Worth: I'm not sure I'm following the question.

Mayor Lane: We have a service, say, it's any one of the independent services that are out there. If we have a long-term contract, we are making a comparison of their pickup and delivery to a contract that we already have existing, not to their own.

Public Works Director Dan Worth: Right.

Mayor Lane: Okay. And how many instances have we had of -- of difficulties with this change? Did I hear you say two?

Public Works Director Dan Worth: Well, I gave you the numbers for people that have notified us of their intent to cancel and we anticipate that there's going to be a number of them that happen before the end of this month because we're asking for a 30-day notice on cancellation and the rates are projected to go into effect in July. But what we have seen so far is seven refuse, front loader customers and included among those seven customers are three customers that also contract for recycling. And then the two was on the roll off customers. We have had two roll off cancellations.

Mayor Lane: And since we were -- and I think you actually did show a slide where even residential is going to require an increase in the future. So if, in fact, this subsidy that we were talking about, that we had a 1.4 million, I believe, maybe in the current year, that's not going to continue, even on the residential side with cost increase? In other words, we are not going to see a net positive out of the residential side that could be subsidizing the commercial?

Public Works Director Dan Worth: Well, the residential is generating a surplus now.

It's projecting to do so by 2019/20 and if I'm not fully recovering the costs on the commercial side, they are in effect, subsidizing the commercial program.

If we were to eliminate any of the proposed commercial cost increases, for instance if we were to eliminate the commercial recycling increase, we would be achieving less cost recovery and we could potentially have a tradeoff where we would have to ask for a residential increase sooner.

Mayor Lane: I guess I have a little bit of a concern as to the extent of this and when I think about the fact that we are subsidizing to 1.2 and \$1.4 million in the current arrangement as it is right now, the rate increases, would that eliminate the need for that subsidy all together so in other words there would be a surplus on the residential side?

Public Works Director Dan Worth: What we have proposed is first step in the two-year set of increases that will eliminate the deficit, the annual deficit on the commercial program and that includes the front loader, the refuse beings, the roll offs, and the recycling. Three different parts of commercial program, and if we eliminate the annual deficit on the commercial program, we are not subsidizing from the residential program. We look at the residential program independently and if

you look at it independently, they are projected to continue to run a surplus until 2019/20, at which point we would be asking for a rate increase if it all follows the projections.

Mayor Lane: Okay. So if I understood you, on the front end of that, there's a two-year step into the increase on the commercial side?

Public Works Director Dan Worth: Yes, Mayor. If you look at the revenue numbers and the deficit numbers on the five-year charts that I showed, we're making up a good two-thirds of it the first year. And a third of it the second year. I'm just hesitant to try to guess at, you know, a percentage-wise what the rate increases would be the second year, because our customer base is going to change.

Mayor Lane: Gotcha.

Public Works Director Dan Worth: And we will achieve some efficiencies.

Mayor Lane: Okay. That answers that. I'm okay for right now. Councilwoman Korte.

[Time: 01:31:36]

Councilmember Korte: Thank you, Mayor. First, I would like to thank the Environmental Quality Advisory Board for this memo. It is very thorough, and I find your information to be very good in helping us make this decision, and I'm trying find where the chair is. There you are. Thank you. Thank you Alisa.

I kind of find it interesting that this memo was dated on May 12th, and yet, I don't know about the rest of the council, but I just received it when I walked into my office this afternoon. Wonder where it lived for five days before it got to our eyes, anyways. Just questioning that. Not to say that that was intentional, but I just find it curious.

I'm going to talk more about kind of philosophy, and that I believe recycling should be more of a discussion than rates and fees. Recycling is more than just a solid waste conversation. It's a philosophy. I believe it reflects a commitment to our community and our environment.

You know, we have invested in a very robust, green building program. We have our own green building codes. We have -- we have invested if water savings programs. We have been honored by A.P.S. for our energy savings strategies. And these are Scottsdale community values. We subsidize many services. I would hate to see what it really costs us to check a book out of the library. And for this increase of such magnitude, it would effectively preclude many organizations and churches and multifamily units from recycling and I just don't think that that's a message that we want to send.

With that, I am going to make a motion using the proposed actions or suggestions from the Environmental Quality Advisory Board to look at operational efficiencies and formulate what a solid waste vision could be for Scottsdale. And that embodies Scottsdale community values and then develop a strategic man to achieve that vision.

Councilwoman Littlefield: I will second that.

Mayor Lane: Motion has been made and seconded by the Councilwoman Littlefield. Would you like to speak toward it?

[Time: 01:34:52]

Councilwoman Littlefield: Thank you, Mayor. Yes, I would. And Councilmember Korte, I agree with what you said. I think this is more than just what is the rates and the fees for this year and next year and the year after that. This is something that touches to the core of what we want Scottsdale to be and how we want it to develop over the next few years. Do we want to have this recycling program? This is a pretty new program. I don't think it's been around all that long, but I think that we need to take a look at what we are doing.

Obviously we need to be concerned with the money, with the fees and the costs of doing it. That's part of our responsibilities too. What can we do? What is our strategy moving forward for the next five to ten years with this program to make that happen, not necessarily just raising fees every year, but in expanding the program, and making it more cost effective and also creating some of these thoughts that, frankly, I was very impressed with what I read the email from the EQAB. And I will be very honest, I really haven't had much dealings with them or reading very many of their articles or memos before, but this was extremely well done. And it was very well written and I think it showed a lot of thought and concern.

I will step back to just a minute and look at some of the money issues that they brought forward and to me, it was concerning that we were looking at something that was very static on the money and the supply and the demand. And according to their report, recycling prices are very low right now. That doesn't mean they are not going to fluctuate, go up in the coming years. In fact, since most things do, I would assume this would also go up and increase revenues just by the increase of the available revenue for what we currently do. This assumes no growth in our recycling program. No anticipated growth. Does this mean we don't have a policy, a program, an action plan?

So I think that's something that isn't reasonable also in the fact that Scottsdale itself is growing. We are growing as a city very fast, both residentially and commercially. And businesses are moving in. People are coming in. We are building apartments. We just approved another group last time -- last meeting. And I think that's going to cause, if nothing else, an increase in the amount of the recycling program that we have and that's going to be available here. The study assumes zero percent growth in commercial buildings. That's not going to happen. And given -- and this -- and the board says given the expected loss of business from increasing these rates, this could actually cause our entire program to go the opposite way of where we want it to go. They are anticipating a 20% loss of business. So as far as the money is concerned, yes, we need to be concerned, but I don't think that that is where our citizens or where we would expect our city to go as far as the program itself.

I agree with the items, the three proposed action items that our board has and as Councilmember Korte listed, and I think that should be something that we need to do and that we need to start working on pretty quickly. Thank you.

[Time: 01:38:51]

Mayor Lane: Thank you, Councilwoman. Councilman Phillips.

Councilman Phillips: Thank you, Mayor. Well, these are basically comments too, and I understand the city's predicament and especially staff's when they are given the task of doing recycling for the city. They have to look at it as, you know, coming back to council, it's costing us a fortune and we have to pull money from somewhere else to make up for it. You can understand where they are coming from there, but on the other side of the equation, I agree with Councilwoman Korte, that it's a city thing.

You know, we started recycling, I never even assumed that we would ever make money off of it. It would always be a losing proposition, but I did it anyway because I wanted to be part of the city's recycling program and I think that's a good citizen thing and everyone wants to do that. So to come along and start charging people for it, you are basically, you know, if you came to my house and said, hey, we are going to start charging you. I would say, it's going in the trash. I won't do the recycling program because I even thought, I'm giving you my recycling. You are not paying me back for it, if we are making money off it. So to actual charge people for it, it will turn off a lot of people.

You know, as EQAB said, we gave Hyatt an award a few weeks ago and we reward them for raising their rates. That's like no good deed goes unpunished. And it seems like the commercial embraces such a wide scope of businesses. We are including schools, multifamily, churches, nonprofits. I think we should find some other kind of rate fee schedule and not have such a broad scope. So there's different charges. If there's charges for different groups of people, and some aren't, you look at it like the residents because we did make money and now we are using that money to cover the costs that we lost from commercial.

I don't really consider that a subsidy, because we are not making money. We are not overcharging for it. We are actually -- it's just that they collected so much and then they actually made money that we can use that money as -- you know, instead of using money from the general fund or somewhere else. So, in a way it's actually a good thing that we somehow did make money on the residential side.

But I can't agree with this either, that this is such a broad rate increase for commercial and it includes so many different groups like the woman said, like residential. Even though it's residential because you are using a commercial container, a commercial property. It doesn't make sense to me.

I will agree with Councilwoman Korte's motion here. I didn't realize I could make motions on this, but I was going to say, I couldn't agree with -- or in this 4252, but if this is the way to correct it, then I'm all for it. So thank you.

Mayor Lane: Thank you, Councilman. Councilwoman Milhaven.

Councilwoman Milhaven: The motion is leaving commercial recycling rates as they currently are.

Councilmember Korte: Yes.

Councilwoman Milhaven: Then I would like to call the question.

Councilwoman Littlefield: Oh, second.

Mayor Lane: All right. Are we in agreement on calling for the question? Let's take a vote on that. All those in favor of the call for the question? Say aye, those opposed with a no. We'll hold on that. I may say something anyway. But anyway, the question is on the table and there is a motion and a second and the question has been called.

So that ends the conversation but I will say because I haven't said before, that I don't -- I don't agree with this. I think we are just converting something from a fee to a tax. And it doesn't do anything to motivate our staff to make things any more efficient, once we decide that it's just going to be more or less a social program and it won't be held accountable to any kind of cost configuration and pricing. So I'm not in support of it, but that's the end of the conversation. I took a little license on mentioning that.

So I think we are then ready to vote. All in favor of the motion, please indicate by aye, those opposed with a nay. Nay. All right. So no change on that category of things. All right.

[Time: 01:44:07]

Mayor Lane: That is -- did I get an understanding that the staff has some difficulty?

Acting City Manager Brian Biesemeyer: Yes, Mayor, just for clarification, was that on commercial rates, or recycling portion?

Mayor Lane: I think what the motion was to leave those rates the same and I thought it was --

Councilmember Korte: It was only recycling. Commercial recycling.

Acting City Manager Brian Biesemeyer: Thank you. Only commercial recycling thank you.

Mayor Lane: Yes, I'm sorry. The vote is over but Councilwoman Klapp, you have a question.

Councilwoman Klapp: I have a question, how much does that impact the budget, the action we just took, how much does that take out of the revenue side?

Acting City Manager Brian Biesemeyer: I have a couple of smart people who can answer you quickly on that.

Public Works Director Dan Worth: It's about \$490,000 of revenue that is removed if we believe the commercial recycling rates where they are now.

Councilwoman Klapp: Thank you.

Mayor Lane: Vice Mayor Smith, did you have a question on this as well?

Vice Mayor Smith: Well, I was going to quote an answer to the question that was raised. It says recycling rate adjustments are forecasted to increase revenues by approximately 300,000 for this commercial solid waste recycling. I thought that's what we were eliminating. Is there some reason why 300 went to 490 or whatever?

Public Works Director Dan Worth: Mayor, Vice Mayor, the reason is because I'm looking at the total revenues not the revenue due to the rate increase. The number that you quoted is more accurate as far as the impacts of the action that you just took to leave the rates the same. I was giving you a total recycling revenue.

Vice Mayor Smith: So the effect of the vote was to remove \$300,000 of revenue? Thank you.

Mayor Lane: Thank you, Vice Mayor. That item is then complete and we move on to our item 5 on this item 26, and that's to adopt a resolution 10412 setting the Scottsdale fire department fee schedule effective July 1st, 2016. We are still on item 26, but we stopped on 4 because it was a solid waste issue. And so we are moving on to item 5, and for that privilege, we have Mr. Nichols here at the podium for us. Yes.

[Time: 01:47:13]

City Treasurer Jeff Nichols: Thank you, Mr. Mayor. I'm feeling privileged tonight. So -- not enterprise rate change proposals. So not the water. Not the sewer, not the refuse.

As you know we go through an annual process of direct and incorrect cost of the service. We have some proposals coming forward tonight for rates and fees changes submitted by community services, public safety, community and economic development department. These fees and services, rate increases is -- if approved would generate approximately 462,000 and you see the break down by the department.

Starting with community services, we looked at Scottsdale stadium. There's a request to increase the facility rental fee for Scottsdale stadium. Also in the Scottsdale sports complex, an increase in the 5k, that's a running event, reservation fee and a library. We are looking at charging people when they bring back multigift sets, minus some of the disks and then the aquatics area we are looking to eliminate the seasonality and then increase rates for daily admission, and increase public swim daily admission rates.

Mayor Lane: I'm sorry, Mr. Mr. Nichols, just for my own clarification. Did you address 5, 6, or 7, or where --

City Treasurer Jeff Nichols: Mr. Mayor, I'm in the process of doing that. This is the beginning of the presentation and we'll show the rates and fees here in a moment.

Mayor Lane: I see. So you haven't directed yourself directly to the fire and police and community services. Well, as we are right now.

City Treasurer Jeff Nichols: No, sir. No, sir. This is a higher level view. We will get down to the rates and fees for police, fire, community services and sunshine.

Mayor Lane: Okay.

City Treasurer Jeff Nichols: In just one moment. And I understand that. I was a little confused myself a little bit earlier. My name wasn't mentioned, but facility booking. We are looking to increase room rental rates. The beer permit fee, sand volleyball fees, various fees there. Fees that arise in part for the teen after school program, and Horizon Park and the McCormick.

So to establish an off-duty commander fee for the police. We currently don't have this fee. So if we have enough staff on site that it requires a commander, that level of management, we are requesting to have that fee. This is zero impact. That fee, through the off-duty program will be fade to the commander. Public safety, increasing the commercial event field staffing for the special events and the firefighters. Again command level fee, when you have enough improvement on the ground that it takes that level of battalion chief or above, have a fee for that and then we are looking to remove the off-duty rates and the reason we are looking to remove the off-duty rate.

We do have a staff to run an off-duty program in the fire department. So there's no sense in having a fee for it.

[Time: 01:50:46]

Mayor Lane: Excuse me one second, Mr. Nichols on both the police and fire, previously, what did we charge for the commander and/or -- well, you moved to the police. For the commander in this case? So we didn't charge anything. What happens if we had a need? Have we ever had a need?

City Treasurer Jeff Nichols: I'm not sure of the exact dollar amount. I would look to staff for that but I would assume we would have charged the basic fee that we would, if you would have hired a police officer to be at your event and the same with the fire department. And so they are just looking at a new fee based on the need for a higher level of service and command and control at these events.

Mayor Lane: So is there one right now, as they hire off-duty police officers. There's just one fee?

City Treasurer Jeff Nichols: That's my understanding.

Mayor Lane: Okay. So basically they are all paid the same, as it is right now. Yeah. I get it. I'm just -- I'm interested as to whether we are moving into a new category of things, as far as service things. Are we moving away from what was considered the city's obligation to coordinate off-duty officers. How were they managed before? Was there some leadership when we have the open before?

City Treasurer Jeff Nichols: Mr. Mayor, I'm looking to my left and the police chief is here to respond to your question.

Police Chief Alan Rodbell: Mayor, it doesn't have to do anything with the off-duty management. Some of our activities are getting rather large. The open, for example, right now we are paying them the lieutenant rate, not the commander rate. The open has gotten so large, we have on the last two Saturday of the open, the last two years we L. doubled our population and almost the entire population is on the golf course. And so the command structure has grown along with the program, and so we are just trying to establish that level of commitment to the vendor by creating the commander off-duty rate. But in the past couple of years we just paid them at the lieutenant rate.

Mayor Lane: And that answers the question. That's what I needed to know. It's exactly what I was considering, the fact that if you have the open, testify size and magnitude that it has been for a number of years, that's why I was asking whether or not do we have some kind of management or is everybody just an officer with no leadership? What you are telling me is we to actually have volunteer commanders and whatever level is necessary, I suppose, but they are all paid the same?

Police Chief Alan Rodbell: Mayor, member and council, on the open, we have 130 plus police officers.

Mayor Lane: We have had it in the past, but they were all paid the same.

Police Chief Alan Rodbell: The commanders were paid as lieutenants because this did not exist.

[01:53:41]

Mayor Lane: There's some differentiation in the pay but it's just not just to the level of commander. I'm assuming the same thing occurs, the intensity of operations, something like the open for the fire department too, if we have gone from what I see as a fee of steer row for -- for --

City Treasurer Jeff Nichols: Well, no, Mr. Mayor, on this one, if you look special events staffing for field operations, the current fee is \$40. These people are paid internally. We don't have a program like we do in the police department for the fire department. So we are asking to increase that fee to \$50 per hour, increase it by 25% but we are also asking for a new command staff fee.

Mayor Lane: That's what I was referring to. Yes, exactly. I understand that we have added a basic

for it. So we went from zero to \$70 for command staff. Same condition exists there then too, that the operations are getting so large that we have to have commanders, obviously not only officially being out there, but being paid at an appropriate rate.

City Treasurer Jeff Nichols: I will let the fire chief answer it, but I believe that we have command staff out there now and this revenue actually comes back to the city, because it's not an off-duty program. So we would be paying our staff whatever their hourly rate is for these events. Be it either straight time or over time. This is just to recoup some of our costs in the fire department.

Mayor Lane: Chief, do you have anything to add to that explanation?

Fire Chief Tom Shannon: Yes, Mr. Mayor. Members of the council, that's correct. In the fire department, we use a straight hourly rate. Chief officers do not get overtime. So they do not receive time and a half. So what we'll do is we will essentially build the command structure and then pay that chief officer for their actual hours served in excess of what they normally work that week. Then we bill back to the vendor or the promoter the actuals.

Mayor Lane: Okay. So that's -- so this is a matter. This isn't something we do internally. This is something that they -- they receive it directly from event producers or is it coming through the city?

Fire Chief Tom Shannon: It goes through the city. We do not have the same program that the police department has.

Mayor Lane: I see. So it then becomes a product of city payment, mention plans, the whole nine yards?

Fire Chief Tom Shannon: It is pensionable. Those hours fit into the benefit package, that is correct.

Mayor Lane: Whereas the way the police department handles it, it is not pensionable?

Fire Chief Tom Shannon: I cannot comment as to their program.

City Treasurer Jeff Nichols: That is correct, sir.

Mayor Lane: Okay. All right. Thank you. Vice Mayor, did you --

[Time: 01:56:29]

Vice Mayor Smith: Thank you, Mayor. I guess I'm wondering, go back to your command slide there. You are saying we are going to -- that's, I assume \$76 per hour.

City Treasurer Jeff Nichols: That's correct, Vice Mayor.

Vice Mayor Smith: Or an annual rate of \$152,000 to hire these commanders?

City Treasurer Jeff Nichols: I learned to trust your math, Vice Mayor.

Vice Mayor Smith: I guess I'm confused as to why we as a city are setting the rate for what an individual can hire himself out to an event for and be paid by the event. It doesn't come through the city. Why are we setting that rate? It doesn't -- we're not paying it. Can anybody explain to me the rationale of -- chief Rodbell returns to the microphone.

Police Chief Alan Rodbell: You know, the question, as I understand it is that why are we setting the rate? Not how the rate is set.

Vice Mayor Smith: Why is it not set by the marketplace.

Police Chief Alan Rodbell: The rate is set by -- it's 10% above the highest paid at that rank. That's how we set our rates. Why it's not marketable is, like, we don't really have the vendors hire out people from other cities to run events of this magnitude that's one of our signature events. So we set the rates because as we plan with the vendors what the event looks like, we set out the safety and the security needs, both police and fire, as well as other city services for that event. And then we charge them what we -- what the rates we set, you set, as councilmembers, and they pay that rate. That's the process.

I don't know the history. This was in place long before I got here. But it makes sense in terms of -- I think it makes business sense in terms of making sure that we have our people that are responsible for our signature events and we pay them at the rate that's an appropriate set rate by the council.

Vice Mayor Smith: Well, except we are not paying them.

Police Chief Alan Rodbell: That's correct.

Vice Mayor Smith: I guess I'm not quite sure why it's a different system than the fire has and I don't know who wants to respond to that, but -- it seems very straightforward to me. If we want to have city employees working on a city event, we should pay them as employees and charge a vendor whatever we are -- whatever we are spending for that. And that would be a rate, plus an allowance for pensions, as the Mayor mentioned, plus whatever else we want to load it up with, but it seems odd that we are setting a rate which is neither paid by the city, nor -- it just seems odd in comparison to the fire program. I'm not sure why we have two different approaches to the same problem. But I don't know if anybody even wants to respond to that.

Police Chief Alan Rodbell: I can only speak for the police department, sir. Mayor and members of the council, Vice Mayor Smith, many years ago we created the off-duty program to manage the off-duty use of our employees. Get it predates me. But it makes perfect sense, that the employees are not out contracting to work in our uniforms and I'm sure there are liable concerns otherwise. So our program is very much controlled to the office of off-duty usage. So vendors go through us to hire our employees using their equipment, their -- our authority, and -- and safeguarding their events. So

we do it this way. It doesn't go to their pension. There are no additional expenses to the city. We charge -- we charge for insurance coverage or they get their own insurance coverage and we manage our employees while working in our city.

I can't speak to the fire department the way they do business. I can only tell you, we have had our program up and running. Again, I have been here 15 years, 14 years. It's been up and running longer than that, and it makes good sense in how we manage our resources and make sure our resources are accountable to the city's personnel practices and leadership practices.

That sort of answer, I don't know if I satisfied you but we have set rates for a number of years to cover the expense of the employee working off duty.

Vice Mayor Smith: I guess my question is to the acting city manager. I don't have any problem with approving \$76 or \$150 a year salary on an annualized basis, since it's not costing the city anything, but I would like to see some reconciliation of why we have one program for the fire department and a completely different program for the police department. Whether the program has been here for 15 years and predates everybody is highly irrelevant in my opinion. Let's figure out what is right and do what is right. Thank you, Mayor.

[Time: 02:02:04]

Mayor Lane: If I would make a question to you, Mr. Nichols. I think completely understand how the police department is handling it. We had some issues as far as the competition in the marketplace and the police officers were used in conjunction and the event producer would be able to choose. The 10% over their rate, since it's not the way it's structured with the police department. It's not pensionable and therefore it's not also -- I'm resuming it's not taxable to the city from the standpoint of employee taxes or other benefits and so that makes some sense but does put the onus on the police officers to declare that separately and self-employment money and I'm presuming that's the way that's handled.

What I understand with the fire department, though, is it all comes through us and it's pensionable and taxable. Then I presume it's not overtime. How are we doing that? It just seems to me that this is an internal thing entirely. So my concern is it's pensionable. I don't know why there's a separate rate because it's coming through the city. The taxes, all applicable taxes would apply. At the same time, what I hear being said is that it's just a straight rate, irrespective of what kind of hours they may have on the books in any given week or otherwise. Chief, if you have an answer.

Fire Chief Tom Shannon: Mr. Mayor, members of Council. So there's a delineation between chief officers and captain and below. Captain and below would receive their time and a half rate and chief officers are excluded from that and they receive only straight time. So in the fire department --

Mayor Lane: Pardon me. They are excluded by law then, as far as --

Fire Chief Tom Shannon: At this point, that is correct. There's some interpretation. There are

some cities that do employ the time and a half rate for chief officers but that's a complex issue for another night.

Mayor Lane: So you are setting a rate for them that does something recognizing that they have got additional time and, frankly, they get all full benefits but there's a time component for off duty timeliness?

Fire Chief Tom Shannon: That is correct. I could defer to Judy for some assistance in calculating the number and the consideration of benefits and all of those factors. The reality is much like the police department or exactly like the police department, our special events and our signature events are simply additional call volume within the context of city services and so we approach it exactly the same, using the same medical direction and the same methodology for care. The reality is that our current staffing practices consider special events a planned emergency if you will. And so we look at it just like we do saving fire trucks. We schedule those events and we just -- we just approach them strictly looking at the hours they have worked previously in that workweek and whether or not this qualifies for time and a half, if you are a captain and below or straight time for chief officer.

Mayor Lane: Chief, I think I have got a better and clearer understanding. I appreciate this. But why are we changing it right now? What precipitated this change for no specific rate from command staff to this?

Fire Chief Tom Shannon: I think I may defer to Judy for some history here but I think the reality from the chief officer rate is we were essentially billing actuals with a lot of fluctuation in what the vendor could anticipate and so this was an opportunity to kind of give them a sense by regular and established fees what they could anticipate when we quantified the actual number of command staff and the hours that they worked. That accurate?

Mayor Lane: You mean there were different rates for different command staff.

Fire Chief Tom Shannon: Of course. If you are a junior member new your rank you are at a lower hourly ray and then when you add benefits and then if you are a senior member, you are much higher.

Mayor Lane: So what we are saying is if I had a junior member out there, he's going to be at a more premium rate than he would be on the normal rate and then if I have the more senior level -- unless they are all at the premium rate?

Fire Chief Tom Shannon: There is a variation based on their salary range and where they are at in that salary range and that would just be straight time for chief officers. So if it's a -- if the chief officer makes \$50 an hour, in his day job, when he's out at the open, he's making \$50 an hour.

Mayor Lane: And that's part of the command staff we are talking about here?

Fire Chief Tom Shannon: That is correct.

Mayor Lane: Okay. So when does it apply to command staff to be at this rate?

Fire Chief Tom Shannon: It would -- this is an average, if you will, to quantify the totality of our command staff. So we have junior members. We have 17 chief officers at a variety of salaries.

Mayor Lane: So an event producer pays for all command staff at this rate.

Fire Chief Tom Shannon: That would be the average. This is a good thing for the promoter or event person to estimate their costs.

Mayor Lane: I guess what I hear you saying, this is a billing cost. This is what you are billing to the event producer.

Fire Chief Tom Shannon: That's correct.

Mayor Lane: It's not necessarily what they are receiving?

Fire Chief Tom Shannon: It -- that -- you can look at it that way too. That's an average of the staff that are present.

Mayor Lane: Okay. But if I'm a junior command staff and I'm at \$55 an hour.

Fire Chief Tom Shannon: You are not receiving that.

Mayor Lane: Okay. Appreciate it. Understand.

[Time: 02:08:11]

City Treasurer Jeff Nichols: So we also have some modifications to the WestWorld. We had heard last time when we made rates and fees presentations there was a request to add a 15% seasonal -- or a seasonal discount. We made it 15% during the time period of June through August that will become effective at January 1st, 2017 that will slightly decrease revenues and I say slightly because we have been told by the general manager, Mr. Dygert that there's not that much available time at west world. They have been doing a good job of marketing the facility, even during this time period. So there's also a request to add an optional discount of 15% to new events, to attract events to WestWorld which may lead to a similar type decrease of about \$4,800 and then there's some tourism and event fees that we are looking at adding and planning and development.

This is a standard fee for use of right of way and an annual increase of about 3% which has been going on for some time now for the communication facilities that operate within our right-of-ways. And an annual fee schedule related to TNEC, the arenas and other fee schedules and I will I numerate those fees. We have adjusted some fees for the event application review.

[Time: 02:09:41]

Mayor Lane: Excuse me Mr. Nichols.

City Treasurer Jeff Nichols: Yes, sir.

Mayor Lane: On the WestWorld, the decrease of are 48 and 68.

City Treasurer Jeff Nichols: Yes, sir.

Mayor Lane: You are saying they are small reductions and is that because we have been doing it on a case-by-case basis, maybe even close to these kinds of seasonal adjustments and venue adjustments?

City Treasurer Jeff Nichols: Mr. Mayor, I'm not sure that we have been offering off rack rate in some instances. I don't know if those are comparable to the seasonal adjustments that we are talking about here. I see Mr. Dygert coming up.

Mayor Lane: But what we are not talking about is \$4,600, it depends upon -- I'm into the sure exactly where that comes from when you think about what's the total revenues within that period of time, versus what rack rate less 15% would produce. Are we solidly booked?

City Treasurer Jeff Nichols: No, Mr. Mayor, I'm sorry for the interruption, and Brian being correct me if I'm wrong, but the this is the rack rate less than 15% and this is the amount of revenue we would give up during that period of time.

Mayor Lane: If we were totally booked?

WestWorld General Manager Brian Dygert: Mayor, members of council, as we are right now. As we are right now.

Mayor Lane: So the idea would be that we would encourage more business with this discount and therefore be able to eliminate this reduction in revenue?

WestWorld General Manager Brian Dygert: Yes, that is correct.

Mayor Lane: One other thing. Brian, this might to be to you as well. Does this take into being any venue assistant from TDC or is this on top of that?

WestWorld General Manager Brian Dygert: The answer would be no. This does not take into any account event funding coming through the TDC and the tourism department. This is all direct invoicing functions between event producers and WestWorld.

Mayor Lane: Okay. Do we not have a venue relief amount of money that's available to promotion -- or promoters of some significant dollars? It's hard to make a comparison on 15% because I don't know what the total fees of these items might be. But we do have venue support

that comes through TDC. And we also -- I don't know whether we consider seasonal adjustments but we do have venue support.

WestWorld General Manager Brian Dygert: I'm not expert on the tourism programs. The venue support is one program of 4 or 5 that they have. Not all events at best world seek program applications through the tourism department. Yes, more of the new ones are, only because of the nature of the aggressiveness of what we are doing but those -- the event venue program from the tourism group, even though it is -- it's an accounting function to the event producer. It's not happening. How they pay us, they pay us. I don't know how else to answer that one. I'm sorry.

Mayor Lane: Okay. City manager? Mr. Biesemeyer.

Acting City Manager Brian Biesemeyer: Part of that for the new events is trying to attract new events and sometimes that funding that we get through other mechanisms, are they available, when they are first time producers, they don't always get on board quickly with that. And so it's -- it's advantageous to have a discount to attract folks here and then move forward with regulates and that's part of why the distinction of the enough event and why Mr. Dygert asked for that.

Mayor Lane: Thank you Mr. Biesemeyer.

City Treasurer Jeff Nichols: And Mr. Mayor, just because we have a new event at WestWorld and they may take advantage of these discounts does not mean, I can't believe, that we encourage them to go to the tourism department and tell them, well, there are applications you can make because you are a new event, if they choose to do that, of course, and -- so there may be a disconnect within the city's separate programs that needs to be aligned in the future and we can certainly look at that.

Mayor Lane: Well, those monies were intended to be used in some respects to motivate event producers seasonality to the venue and so on and so forth. So, I mean, I think they are getting pretty good at asking for it. We don't have many exceptions to that, as far as I can. Let me see, there was something else that I was going to ask about.

City Treasurer Jeff Nichols: Mr. Mayor, one thing I would say, under the tourism area, those events do not necessarily have to be at WestWorld for them to have an occasion --

Mayor Lane: Yes, I do understand that too. The other thing, is this now a new rack rate for these time periods? Does the negotiation now start at 15% below or is this the new -- is this where it's going to be?

WestWorld General Manager Brian Dygert: For the summer the answer would be yes, for June, July and August.

Mayor Lane: So no further discounts are expected off the rack rate than this?

WestWorld General Manager Brian Dygert: Correct.

Mayor Lane: Okay. Vice Mayor Smith?

[Time: 02:15:15]

Vice Mayor Smith: Yeah. Back to that slide for a minute. Help me understand the first item says you want a 15% seasonal discount. The second item says 15% optional discount to new events. Is it possible then for an event to get a combined 30% discount?

WestWorld General Manager Brian Dygert: Well, I would say in theory that would be true but from a practical standpoint, no. Because if an event producer asked me that question, I would say no. Because if you are in the summer you are inspired to a 15% incentive because you are in June, July and August. If you are a brand new event and we are in one of those other months, I have that additional tool. Would I use them both? The answer would be no.

Vice Mayor Smith: Okay. So if I'm -- I'm trying to follow the math, the revenue will be in \$4,821 lower virtue by this policy. How is that ma done?

Did you anticipate that perhaps eventual \$30,000 of new events and give those folks a 15% discount and that would give them a discount of \$4,500 and hence the revenue is lower by that amount? Is that what we are talking about.

WestWorld General Manager Brian Dygert: Vice Mayor, I think if I understand you properly, how did I come up with that number. I took the new events that were booked this year and I looked at their base use rental which is right off the rack rate which is two, three or four day events and calculated and average, and then applied a 15% discount to that, because if that -- if those events were next year, they would be possible for that. Now, the single difference to that is the volume of newer events this year will certainly be higher than what the volume of new events next year and the years forward will be.

Vice Mayor Smith: So if I understand your math then, and Mr. Treasurer, you can help me with this. We must be talking about events that have facility use fees of roughly \$30,000.

City Treasurer Jeff Nichols: That's correct, Vice Mayor. Approximately.

Vice Mayor Smith: Okay. I guess a follow-up question. If an event falls outside the parameter of what's allowed here, and I guess earlier this evening we looked at the roping event, which I assume had a bigger discount than 15%, if it's that kind of a situation, then you come to us with a special request, a special council request for approval.

WestWorld General Manager Brian Dygert: Yes, that is correct.

Vice Mayor Smith: Out of curiosity, what was their discount, do you recall?

WestWorld General Manager Brian Dygert: You are making reference to the cutters, the Derby Days that was on tonight's agenda?

Vice Mayor Smith: Yes.

WestWorld General Manager Brian Dygert: I can't answer that in a discount because we approached it completely differently. So I would have to -- I would be happy to get that to you tomorrow because I can calculate it back to you. But we didn't approach it from a discount, from rack rate. We approached it on what they could afford to do, what we could afford to host them with, with a very unique different event. We did this exact same event in the summer of '14, that we will see again in a month.

Vice Mayor Smith: If you can share with us what that might be as a discount, send us all an email, I would appreciate it. Thank you.

City Treasurer Jeff Nichols: We will do that, Vice Mayor.

Mayor Lane: One second. I'm sorry, Mr. Nichols. Councilwoman Littlefield.

Councilwoman Littlefield: Thank you. Thank you, Mayor. I just wanted to ask you many Dygert, have you had people approach you that are interested in coming in as new events in the summertime, if we use these numbers and these discounts that we would make up that difference in income?

WestWorld General Manager Brian Dygert: Councilwoman Littlefield, the answer is no, we have not this h these discussions. The mere fact of it coming -- no, we haven't had any of those hypothetical conversations. The request from the event producers for various negotiated business terms, yes, that happens almost every day, with every new event producer. That's why with the work, with the city treasurer and the city manager, and Judy, we actually came up with these two 15% pieces to hopefully catch the bulk of that new event business that we're dealing with every day. The council would see anything that is negotiated multi yeared, that is beyond this anyways.

Councilwoman Littlefield: But you anticipate that this would cause new events and new activities in the summertime at WestWorld?

WestWorld General Manager Brian Dygert: Yes, that's absolutely what the target is, yes.

Councilwoman Littlefield: Okay.

Mayor Lane: Thank you, Mr. Nichols. Please proceed.

[Time: 02:20:42]

City Treasurer Jeff Nichols: And then changing some of the fees related to the TNEC, the arenas and some of the other fees charged at west world and we will go through those. Tourism and events,

adjusted fees and then the new fees for use of right-of-ways in the downtown area, and service extensions.

So let me walk through some of these fees. We look at community services and increasing the facility rental by approximately 15%. As I mentioned earlier, increasing the fee for the 5k, we found in a lot of these areas that we just weren't within the marketplace. Starting a new fee for people who bring multi-disk sets. We would like to be able to charge them a fee. Program fees in aquatics going up, I would like -- you know, you can focus on the percentage you are or you can focus on the dollar amounts. I look at the dollar amounts and I think they are nominal fees. You notice that he would do change from adult residence, adult nonresidence.

We do vary our fees accordingly. Some of the program fees for the facility bookings, again, residential fees and nonresidential fees but also commercial fees where we charge a considerably more amount. So making these adjustments on a dollar basis, you see \$37,000 approximately. I guess one off many people might argue against some of these fees. We think they are very reasonable.

Facility booking fees for sand volleyball, beer permits, multiuse pass and the like. The one is the horizon teen after school program, trying to recover some of the costs of that program I'm sure that's not a full cost recovery, but I would defer to Mr. Murphy for that. And then the McCormick Stillman Park. You see the executive car program. They refurbished an executive car, and it's represented for child birthday parties. We believe that's mark competitive and here are the fees for WestWorld, again, all of them increasing somewhat. I don't think substantially.

Looking at some of the new fees, I would point out on the bottom one third of this, is the in you broadband Wi-Fi fee. The new fees related to the contribution of the electricity, the 100-amp and the 50- amps and actually just charging for something that we are already supplying to the extent that we can. I understand that there's Wi-Fi service in there. It's not as reliable or as robust as we would like it and we are looking to change that as well with some capital improvements within the facilities. And continuation of the fees, removing some of these fees, you see removing the north hall arena fee. Those are -- we are asking to remove fees because people were not renting the north hall. They weren't saying we only want to rent a portion of the north hall, which is what this fee related to. They either wanted to rent the north hall or they don't want to rent the north hall. There's no sense in having a fee that we are not charging anyone.

And tourism and events, some of the things related to special events, I would say, application, you see event application review is going down \$12. A streamlined permit process should the applicant come in a little bit later, we will charge them for that streamlined process and the same with the city permit, the city property with the high impact and increasing those fees accordingly. Some of the new fees, charging for arterial streets, per lane mile you see. And the collector streets, again, not as large as the arterial. So a lesser fee. And then also starting to charge for the full street related to neighborhood watch. If we get a request from a neighborhood and they say, hey, we want to have a block watch program. We want to block off the street, it's a nominal fee to do that, and we will charge for it.

Some more in the tourism and events. Again, these are all new fees. We are estimate, obviously, if you have a fee, the first one, new downtown collector couplet, charging \$500 if, in fact, we think we will have three events that will raise \$1,500. So some of these not -- not very significant in the number of events that we plan, however, we feel there should be a fee for the use and we hear that loud and clear I think you have heard it from people that if we are basically renting the property of the citizens of Scottsdale, that we should be charging a fee for the rental of that property. Again, some new event fees related to the marshal way bridge, whether they want the bridge to have traffic access, I.E., the shuttle or not have access and some new fees related to the Soleri plaza and the horseshoe falls area.

Other fees, again these are new fees. New on-street parking per space, new sidewalk for closing a segment, one block or less. There's a fee, and some other fees related to events in the downtown area, on a per square -- on a cost per square foot basis.

And with that, I would take any questions you all might have or continued questions and staff is also here, as far as the tourism and the events fees to answer any questions you may have in those areas.

Mayor Lane: I don't have any questions -- actually it just came up. Councilman Phillips.

[Time: 02:26:58]

Councilman Phillips: Item 26, we are doing public hearing and adoption of fiscal 2016/17 fees. So we kind of voted on number 4, are we supposed to be voting on every one of these individually or are we supposed to vote on the rest of them as a group or single some out or how is this working.

City Treasurer Jeff Nichols: I'm informed that if you want to any changes to these, you should do them one off. If you are fine with the fees as recommended, you can adopt them all as a package.

Councilman Phillips: That's the question. If you didn't agree with something, you don't want to say no to the entire package for a couple of items.

Mayor Lane: Councilman, you will need to have a motion and have it accept, whatever the item of exception that you want to make.

Councilman Phillips: I guess I would make the motion not to adopt resolution 10448, setting the Scottsdale community services division schedule of program charges, rental fees and fines.

Mayor Lane: So you are calling for the elimination of the entire --

Councilman Phillips: Well, that's the thing. I don't want to vote to increase those fees. I don't know how you separate them without doing the whole thing.

City Treasurer Jeff Nichols: I'm sorry, Councilman Phillips, you want to eliminate -- estimated

\$140,000 in fees related to community service?

Councilman Phillips: Thank you very much. Yes.

Mayor Lane: So you are --

Councilman Phillips: Would I would move not to include the community services portion.

Mayor Lane: Not to adopt resolution 10448 setting the community services division schedule of program charges, rental fees and fines. Is that the appropriate area? That's what you are referring to?

Councilman Phillips: Yes.

Mayor Lane: And that's the motion then?

Councilman Phillips: Yes.

Mayor Lane: Okay. The motion fails for a lack of a second. Councilwoman Korte?

[Time: 02:29:15]

Councilmember Korte: Okay. I will try this I move to adopt the following ordinances in total. 4251, 10433 --

Mayor Lane: That is actually resolution, though.

Councilmember Korte: Okay, ordinances 4251, 4252, and that's it. I also move to adopt resolutions number 10433, 10412, 10446, 10448, 10443, and 10436, and finally resolution number 10454. And please note that the ordinance number 4252 carves out the solid waste recycling fees.

Councilwoman Littlefield: Second.

Mayor Lane: The motion has been made and seconded. Let me ask maybe the clerk or the attorney, Mr. Washburn, did we not already vote on ordinance 425 -- I'm sorry. Resolution 10433?

City Attorney Bruce Washburn: Mayor, I don't have it right in front of me but my memory is that you voted to take out part of the -- part of what was in, there but that you did not act on the whole resolution. So I -- let me put it this way, I think what she's doing is the correct thing, and even if it's -- you are voting on 10433 twice, I don't think you are, you are going to get to the same result doing it this way.

Mayor Lane: But my -- okay. I mean, obviously it's going to go that way. I think I was -- there were two votes against the carve out on the idea. That's what I'm talking about on the solid waste.

And you have included it in this group.

Councilmember Korte: But I just made the exception that -- excuse me, Mayor. After I went through all of those resolution and ordinances, I said with the exception of the carve out for the solid waste recycling fees.

Mayor Lane: Meaning that you were going to leave the fees the same? That was the exception?

Councilmember Korte: Mm-hmm.

Mayor Lane: And I believe Councilwoman Klapp and myself voted in opposition of that. I would like to have that vote stand. I'm not going to not vote on the entire thing on the basis of one exception that and that's on 4252.

City Attorney Bruce Washburn: Just to make sure I'm clear, Councilmember Korte, you are leaving what was done previously on 10433 in place?

Councilmember Korte: Correct. The vote taken an hour or three hours ago was to retain the existing fees of the solid waste recycling program and that's not within my motion.

Mayor Lane: Okay I'm now --

City Attorney Bruce Washburn: When you say it's not within your motion.

Councilmember Korte: To accept ordinance 4252, that former motion excludes that solid waste recycling fee.

City Attorney Bruce Washburn: Right.

Mayor Lane: The increase.

City Attorney Bruce Washburn: And your motion now would continue to exclude that increase.

Councilmember Korte: Continues to exclude the increase.

City Attorney Bruce Washburn: Well, Mayor if you -- I understand what you are saying and if you want to, in fact -- well, I will tell you what. I see that the clerk is back at the table. And so let me ask you, madam clerk, the previous vote on 10433, did it adopt everything in 10433 except for the increase in the solid waste?

Mayor Lane: Would it also not impact ordinance 4252? It would be the ordinance and the resolution.

City Clerk Carolyn Jagger: That's correct, Mayor. I believe they are together.

Mayor Lane: If we haven't officially voted on, that I would ask the motion maker just to exclude those for a separate vote.

City Clerk Carolyn Jagger: That would be fine. I think that would be the easiest. If we voted on all the rest and if you want Mayor, we could do a redo on those two, just to make it clear.

Mayor Lane: And I might suggest if -- well, if Councilman Phillips wants to vote against his other fees separately that they might be excluded too for the human services. Community services, I'm sorry.

Councilman Phillips: That's why I pushed my button to speak. I wanted to vote against one item rather than all of them.

Mayor Lane: That's resolution 10448.

Councilman Phillips: Which I'm not against that whole thing, and it's better than the entire --

[Time: 02:35:42]

Councilmember Korte: Would you like me to restate the motion given that.

Mayor Lane: That resolution for 10443, ordinance 4252.

Councilmember Korte: I move to adopt ordinance 4251, resolution number 10412, resolution 10446, resolution number 10443. No, that's the one you want to take out. No, it is -- okay. It's 10443, and resolution 10436, and resolution 10454.

Mayor Lane: That covers your situation. And that was the second here? Okay. All right. And Councilwoman Milhaven, do you have further comment?

Councilwoman Milhaven: No.

Mayor Lane: We are ready to vote. We need to knock that one off. Okay. The motion as expressed and seconded is unanimously accepted. Hmm.

I don't know whether that's going to -- how this is going to work.

I guess we say that resolution -- Councilwoman Milhaven.

Councilwoman Milhaven: I make a motion to adopt resolution 10433 and ordinance 4252, excluding the increase in commercial recycling fees.

Mayor Lane: Okay. The motion has been made and seconded. We are then ready to vote. All of those in favor, please indicate with an aye and those opposed with a nay. Nay.

Councilwoman Milhaven: I will make another motion.

Mayor Lane: Yes, but you just removed yourself.

Mayor Lane: It's 5-2, with Councilwoman Klapp and myself opposing.

[Time: 02:38:06]

Councilwoman Milhaven: I will make a motion to adopt resolution 10448.

Councilmember Korte: Second.

Mayor Lane: The motion has been made and seconded. Councilwoman Littlefield, do you have --

Councilwoman Littlefield: I would like to request of Councilman Phillips, if I could what exactly he wants to do on this.

Councilman Phillips: It was the one section of the community services which I wasn't against but since I can't do just that section because I made the motion and nobody seconded it, I will have to vote against the whole resolution.

Councilwoman Littlefield: You could mention ideas, specifics as to what you didn't like.

Councilman Phillips: I can mention specials, the community services that he put up, that amount.

Mayor Lane: It is a separate motion. Right now it's just a motion to adopt it, but you can either -- yeah, you can either say aye or no. You couldn't get a second on your motion.

Councilman Phillips: Right, I agree. So I appreciate the effort, but I didn't get a second so I can't bring it up again. Is that correct? So all I have resource now is just to vote against the whole resolution.

Mayor Lane: I don't know the answer to that. Can he bring it up again? He may --

City Clerk Carolyn Jagger: I will consult with the city attorney, if you don't mind. Esteemed city attorney, there's a new motion on the table and they can discuss it if they want to and propose a friendly amendment to it, if that's worked out. That's the only option I see.

City Attorney Bruce Washburn: Bottom line is you made a motion and you didn't get a second for it. It wasn't like the motion was voted down. Actually, technically, I have think you can make the motion again and see if you have a second for it the second time or you can do what the clerk suggested and discuss the -- since this is the very matter that you want to have addressed as -- encompassed in the motion that's currently pending, you can discuss it in the context of that

motion.

Councilman Phillips: If I may. So I can make it -- an amended motion, excluding that portion of it.

City Attorney Bruce Washburn: It would be alternative motion.

Councilman Phillips: I think it's an exercise in futility and I won't waste everybody's time on that. So thank you anyway.

Mayor Lane: So we have a motion on the table to accept it. Is that correct? I'm sorry, who was the motion maker on that? Okay. And what was the resolution.

Councilwoman Milhaven: Resolution 10448.

Mayor Lane: Okay. And that's to adopt a resolution on number 10448. Okay. And then so that's been made and seconded. That's on the table. All of those in favor, please indicate by aye. Those opposed with a nay. Aye. As advertised. Okay. Very good. Thank you to staff on that. That does complete item 26.

**ITEM 27 – PUBLIC HEARING ON AND ADOPTION OF PROPOSED FISCAL YEAR 2016/17 BUDGET
(TENTATIVE BUDGET)**

[Time: 02:41:48]

Mayor Lane: Next item is item 27, public hearing on and adoption of proposed fiscal year 2016/17 budget tentative budget. Solicits and receives public input relative to the entire proposed FY 2016/17 budget. And in accordance with that adopt ordinance 4257 as presented. So we have before us Judy. Welcome.

Budget Director Judy Doyle: Good evening Mayor and members of the Council. Tonight is the adoption of the city's fiscal year 2016/17 tentative budget, which will set the city's maximum annual expenditure limit. The tentative budget sets the expenditures at a level that gives you greatest flexibility permitted under state law. On June 7th, we have the final budget adoption slated and you may reduce or reallocate total budget expenditures, however, that evening you cannot increase the annual expenditures. You can only decrease from what is adopted this evening and the tentative budget.

So similar to the proposed budget, the tentative budget is balanced, and it does incorporate council priorities and direction that we have received through our budget discussions. The '16/17 tentative budget is near \$1.4 billion. And is approximately \$200,000 less overall than the proposed budget based on council direction and other changes that have been made since the release of the proposed budget on April 5th. All of those changes were detailed in your council report, and during tonight's presentation we will walk you through the significant changes.

First, beginning with the current fiscal year 2015/16. Talking about the changes in the current fiscal year are important because it does impact our unreserved fund balance which does carry forward into the '16/17 budget. This slide is a summary of the general fund sources and uses changes that first column of numbers reflects what was included in the proposed budget, that middle column is what's currently in the tentative budget and then the difference. There are no changes to the sources, however, you can see there are changes in uses within expenditures. A reduction of approximately 1.2 million. The majority of this reduction in expenditures is within community services, primarily in personnel services. The division has hired a number of incumbents in positions at a lower rate than what the position was previously budgeted for. The division has also achieved, savings by strategically scheduling their part-time staffing. They have been able to schedule in such a way that they can maximize the hours worked for greater coverage while actually utilizing less part-time hours.

Additionally, a portion of this change is related to the Scottsdale Cultural Council facility upgrades that were authorized by council in December. These upgrades will not be completed by June 30th. Therefore, we are going to cover that unspent budget into the '16/17 fiscal year.

So moving on to '16/17, again, summary of the sources and uses, the \$2 million change in sources is to exclude one-time revenue for the sale. H.R. building, which was selected in '15/16. I will also mention as it relates to revenue that I had chaired with you on April 19th that we did receive a preliminary state shared revenue estimate from the league after the proposed budget was released. The league's systems were approximately 1.7 million more in the state shared revenue than what we had included in our proposed budget. As I mentioned, we were hesitant to modify our negotiation to the league's estimate as they did not have specific population figures and did not expect them until end of the month -- the end of May. We still have not received those updated revenue systems however, during a league conference call, with all cities and towns yesterday, they did indicate that they will be providing updates, very soon and that they did not anticipate big population swings from their original estimates. So it does appear that we can count on close to the additional 1.7 million in state shared revenue in our general fund and you will see that reflected in our final budget that we will present on June 7th. Additionally, the state shared revenue changes would favorably impact the highway user revenue fund or HURF in our transportation fund by about \$500,000, which we will also reflect that June 7th final budget.

On the uses side, we are seeing about a 500,000 increase in the tentative budget from the proposed budget. Which we have highlighted here for you. The C.I.P. project, the data center resiliency plan, on April 19th, I had mentioned the operating impacts for the project are approximately 250,000 in the first year, with two FTEs and escalating to about 1.1 million which includes the cost of those two FTEs, maintenance and rent by that fifth year. We have moved the project from fiscal year 2017/18 to 2016/17 in our C.I.P. which we will cover a little later in the presentation as well, but we are doing that because we want to take advantage of a location site that's being made available at an earlier time than originally anticipated. So therefore we are moving those operating impacts up one fiscal year into '16/17. Additionally those one-time S.C.C. facility upgrades that I had mentioned that we will not be able to complete during the '15/16 fiscal year, we are moving that unspent money to '15/17 so we can finish those upgrades and then finally the police adjustments that we received direction on April 19th which Bryan will speak to specifically later in the program. For the total increase of

\$500,000.

So our total uses do exceed our total sources by approximately 9.4 million in our tentative budget but this is really distorted because of one-time items that are included in the tentative budget. When you consider we have approximately 14 about the 2 million in general fund items which are highlighted here, such as the additional pay period, the additional C.I.P. funding that we will transfer over, maintenance and equipment items, the S.E.C. facility upgrades that I mentioned we are carrying forward, our ongoing sources are over our ongoing uses by 4.1 million. And if you consider the state shared revenue, we are anticipating we are more at about 6.5 million in ongoing sources over ongoing uses. So based on the changes we talked about, our projected fund balance at the end of '16/17 is approximately 15.9 million or 17.6 million if you consider that additional 1.7 million in the state shared revenues which, again, we will reflect in that June 7th budget.

During our March 1st, C.I.P., discussion, there was interest by some to talk about the transportation operating budget, specifically transit. So we wanted to first show you where transit operations falls within our organization. Within our community and economic development division, transportation is one of our departments. Within the transportation department, we have transportation planning, transit operations, traffic engineering and operations and, again, we will focus on that transit operations. Transit operations is funded with several different revenue sources. We have our local sales tax, our regional sales tax, also known as prop 400, the federal grant, the state grants and the tourism development fund which was authorized use of -- last April for use at the downtown trolley. The revenue that the city plans to use for transit operations in '16/17, basically mirrors what is currently in the '15/16 budget. In addition to the 6.9 million in revenues that the city actually receives and spends on transit service, there's funding for bus service in Scottsdale, that is directly paid by valley metro. This is a projected 1 million increase in '15/16 -- from '15/16 for those bus services, again, paid directly by valley metro. Even though this is not a revenue or expense for the city, we wanted to reflect it in the presentation because it is a transit benefit that Scottsdale does receive. I will mention that that \$1 million increase is not an increase in services. Valley metro will now pay 100% of route 81, which is Hayden road, where in the past that was a shared cost.

So looking at transit operation uses, the majority of the expenditures occur within our contractual services. We have a Phoenix contract, an I.G.A. with the city of Phoenix for fixed route transit service. We also have the valley metro contract, also known as the regional public transit authority or RPTA service agreement, also for fixed route transit service. The east valley dial a ride is also a part of this service agreement. The cab connection, this is a program delivered by the city. We give vouchers to participants. The cab companies then submit the used vouchers with an invoice for reimbursement. The cab connection program was reduced in the tentative budget by approximately \$300,000 to better reflect the anticipated costs and then the Dunn contract is for trolley services and the '16/17 budget, we did include in the tentative an increase of about 200,000 to begin downtown trolley service at 5 a.m. from the current begin time of 11 a.m., as was discussed during the city council work study sessions on February 1st and May 10th. The expansion of hours will hopefully connect those parking areas to the employment areas.

With that, I would be happy to take any questions or I will turn it over to Brian who was going to talk

about budget recommendations and discussions.

[Time: 02:54:53]

Mayor Lane: Judy, thank you very much. And I -- I just have got maybe a basic question. There may be others of you from this, but it was a very comprehensive presentation. Did we save any money on fuel in '15/16?

Budget Director Judy Doyle: Yes. We have been saving on fuel.

Mayor Lane: Dan he talked a little bit on the expenditure reduction or the savings and expenditures which it was an area that I wondered but as I looked at this last -- well, the last or the next to last, when we talk about trolley fuel, obviously, there's anticipation of a lesser a.m. than even in '15/16 amount, but I think the most significant portion of the reduction in fuel took place in '15/16.

Budget Director Judy Doyle: Yes.

Mayor Lane: I was wondering what percentage or what amount. I don't remember when we were in high fuel times, we were always faced with nearly a \$1 million increase with every 20 or 30-cent increase that came through.

Budget Director Judy Doyle: Yes, we did anticipate some fuel savings in the proposed budget. So it was already reflected in there. And I know Jeff will be speaking tonight on the monthly financial update and there is some savings related to fuel in there as well.

Mayor Lane: Okay. Well, thank you, Judy. I guess we will go ahead and move on. There's no further questions.

[Time: 02:56:21]

Acting City Manager Brian Biesemeyer: Mayor and council, I just had a couple of items I wanted to bring up as we went through the budget one more time. As Judy said, we had a police reorganization plan introduced to council when we came before council, and the following were taken out. The parking control checker, two part-time records specialists, two part-time dispatchers and one full-time records specialist were taken out of the budget.

The budget package for the reorganization plan was put together as a whole, and the reduction of these positions does put a hole in that plan, specifically the parking control would allow monitoring of parking for more than four days a week. The two part-times records specialists would allow us to address the backlogs in records, as well as keep pace with current demand, as well as the one full-time specialist and then the two part-time dispatchers are involved in reducing overtime with our dispatch, as well as the records specialist, both the number two and number three. Reduce overtime significantly.

As originally proposed, plan was to implement these actions, then check those and get some results, come back to council with adjustments and then adjust as necessary with that. I believe you need to do a continuous improvement process to do the best service to large organizations as they make changes so you can actually measure what you have done through these changes and then adjust as you go through.

So I want to make the recommendation to reinstate the added positions. One to allow for the implementation of the plan in the first half of FY '16/17 and include measurements of results that we can actually report back to council on what these -- what the results are. And then conduct an audit of the P.D. control operations where I think the most concern was based on do we have the right amount of patrol officers based on the CPDS study. We can take some cuts in the patrol as proposed had the reorganization plan and then come about with some performance measures that show either we met what we expected to or we didn't meet what we were expected to with the PD reorganization plan.

Mayor Lane: Thank you, Mr. Biesemeyer. We do have a question. Councilwoman Milhaven.

[Time: 02:59:14]

Councilwoman Milhaven: I recall that the conversation was to include the reorganization in the budget, but not to fill any of the open positions until additional analysis was done. Do I not recall that correctly? Because I made a motion.

Acting City Manager Brian Biesemeyer: I will ask for clarification on this.

Councilwoman Milhaven: I said to accept the reorganization plan but not to fill any open positions until the further analysis was done.

Acting City Manager Brian Biesemeyer: I can say, I interpreted to mean that these positions were taken out of the budget.

Councilwoman Milhaven: Does that mean you put back the patrol positions that were coming out as part of the reorganization in.

Acting City Manager Brian Biesemeyer: No, we took out all the patrol -- we took out all the takes. We didn't add these added structures. So the net result was down 10 positions, I believe.

Councilwoman Milhaven: Since it was my intention, when I made the motion at the last meeting to include these positions but to not fill them until additional work was done, I would -- if that was not the understanding, I would make that motion now to make sure that we have the cuts to patrol in the budget, to add these positions to the budget, but they are not filled until after additional analysis of study has been done. That would be my motion.

Mayor Lane: This is not to second it at this point in time, but just so we are abundantly clear,

obviously there was some misunderstanding, I think from the original motion sometime back. Are we talking about allowing the positions that were indicated that would be left -- well, actually, I think it was attrition or something that was going to be a loss of, I think maybe six positions through attrition, to allow that to tip on course, and just not to fill the positions that we have here, but have them in the budget? And that's only subject to us as a council coming back after a review of the report?

Councilwoman Milhaven: Yes, if I recall from that conversation, there were things about response times and the kinds of calls that we responded to, which -- you know, that we were providing the services, what kind of calls are we responding to that other cities done.

Mayor Lane: We are not limiting it to it. Those were some of the questions that you asked at the time.

Councilwoman Milhaven: Those were some of the questions.

Mayor Lane: But basically your motion is to allow for the implementation of the elimination of some positions but not to -- and to actually put these in the budget but not to fill them until which time there is a more thorough --

Councilwoman Milhaven: That's my intention, yes.

Mayor Lane: And the idea being whether or not these adds would be affected by a review of the report.

Vice Mayor Smith: I would second that motion.

Mayor Lane: The motion has been made and seconded. Would you like to speak toward it Vice Mayor.

Vice Mayor Smith: That was my understanding of the motion, that clearly the money is not to be spent, but the people are not to be hired but the position is there if and when we have the demonstration that we fulfilled some of the other programmatic expectations reporting back to the council, much of what you are anticipating here. Put them in the budget, provide for them but they are not to be hired until we say so.

Mayor Lane: Okay. The motion has been made and seconded. Councilman Phillips.

[Time: 03:03:33]

Councilman Phillips: Thank you, Mayor. I will make an alternate motion that we approve the acting city manager's recommendations.

Councilwoman Littlefield: I will second that.

Mayor Lane: Councilwoman Littlefield seconded Councilman Phillips' motion. Would you like to speak toward it?

Councilwoman Littlefield: I wonder could I ask the city clerk, did you find the previous motion that we had made regarding this project?

City Clerk Carolyn Jagger: Councilwoman Milhaven, made a motion to have the chief's recommendation in the budget, however no additional positions will be added until the council received an update from charter officers and takes a deeper dive into the data and a policy decision has been cued up as to what kind of calls police will respond to. I can go on if you like. It was a long motion.

Councilwoman Littlefield: Keep my second on accepting just -- accepting these positions to be in the budget as per the recommendation of our city manager.

Mayor Lane: Okay. The alternative motion is on the table. If I understand this correctly and now the motion maker would have to confirm accepting to put these in the budget that would mean whether or not they are actually filled. Does --

Councilman Phillips: I will let the city manager speak to that but I believe he did say that they would be filled and they would come back in six month and see if it worked.

Acting City Manager Brian Biesemeyer: Mayor and Councilman Phillips, that's correct. I propose we hire them. There are direct needs for this. There's morale associated with it and overtime associated with it. While the total cost of all of these positions for the budget is \$200,000, there's up-front costs for the parking checker, for vehicle and equipment. Additionally that doesn't being for overtime reductions. So the real ongoing costs is \$105,000 for these positions. I think the need is immediate and real and is distinctive, where I think the questions came up. And so this would allow for these needs to be met up front, and then for the patrol operation question to be looked at differently and in force and that's a distinction as I see it.

Mayor Lane: Thank you, Councilman and thank you, Mr. Biesemeyer. I'm sorry. Councilwoman Klapp.

[Time: 03:06:20]

Councilwoman Klapp: I'm in agreement with the alternative motion also. And you mentioned several reasons, one being the -- I believe that we need to hire in dispatch to reduce overtime. It's very, very bad management practice to allow overtime to continue when we can resolve a problem with a couple of part-time people. And that should be done immediately. So I think we are splitting hairs on this reorganization plan.

I think the reorganization plan should be accepted as the city manager's proposing. He's not saying that he won't -- he doesn't agree to an audit of the P.D. operations. He does. And we know that

there is currently an evaluation going on and we will hear about that evaluation when it comes back. But in the meantime, I believe we should accept the reorganization and not start splitting out the adds to those being eliminated. I think reorganization plans works in totality.

We should allow the city manager to move forward with a plan that can be proven to resolve some issues in the police department that are needed now and I think it's to be noted that there are ten people being eliminated. I haven't seen other departments eliminating 10 people. I think we should get at least a little attaboy for eliminating 10 people in the department with the understanding that the other people that are being added are primarily just for specific things that the council has been asking for, such as parking enforcement, lowering the overtime in dispatch and other areas. Some of these things we are asking for.

Mayor Lane: Thank you, Councilwoman. I think the original motion that was made here tonight is nearly a mirror image, maybe more concise than it was several weeks ago, when we voted on it and I did vote with Councilwoman Milhaven on that motion, and I certainly understood it as it's been presented again here tonight.

I think the added item is -- and that's what you brought to us as to whether or not there's a reconsideration of putting these people back into this position because of your position as city manager feeling that these are appropriate to fill. Not just to put in the budget, but to fill, and we are leaving the other side of the equation in the reorganization plan and that is the -- the ten positions that are being eliminated by whatever means. So I think that -- I'm going to support the alternative motion as well.

Councilmember Korte.

[Time: 03:09:08]

Councilmember Korte: Thank you, Mayor, I will be supporting this alternative motion. We know that we need additional resources in dealing with the parking issue downtown. We know that the overtime in dispatching has been unacceptable, and regarding record specialists, there's no doubt that the police have a backlog of confiscated materials and things of that nature that tend to clog up the system. So I will be supporting this and supporting our city manager. Thank you.

Mayor Lane: All right. I thank you, Councilwoman. Councilwoman Milhaven.

Councilwoman Milhaven: Thank you, Mayor. I just want to make a broad statement that says, you know, looking at things in isolation, I think, is narrow. Certainly dispatch needs some additional assistance but when we have a police department that responds to more kinds of calls that other cities don't respond to, we send twice as many people to a call than other cities spend, and we spend twice as much time on those calls than other cities spend, I believe these opportunities for efficiencies in a police department. If we pick out one passion here and one position there and not insist on an explanation of cost efficiencies I think that we are not being good stewards.

So I will continue to look forward to the auditor and the city treasurer's analysis of how we could find some -- whether or not there's some efficiencies in police department, and it would grieve me if we filled positions and then need to let people go. Thank you.

Mayor Lane: Vice Mayor.

Vice Mayor Smith: I will be voting the same way I did. If we irrelevant hire somebody and we find that there are efficiencies and then we will find it difficult to get rid of those people so other folks can move into those jobs. It's always a lot easier not to hire people than it is to hire them and then get rid of them, whether by number or specific individual or whatever. I think we had an effective program so, in a sense, keep our feet to the fire and keep our focus on determining what the real tree need was. This is obviously going to take the pressure off of that and I really don't see that, you know, suddenly a few weeks later we have a desperate need for a dispatch person and somehow the council and the majority didn't see three weeks ago. But that appears to be where we are. I will be voting the same way I did three weeks ago.

[Time: 03:12:09]

Mayor Lane: Thank you, Vice Mayor. I want to say in conclusion, obviously, we are still all -- I believe all, we are looking forward to a review of the report. So that's not off the table at all. This has really nothing to do with that part of what we discussed the last session on this subject. And I'm certainly look forward, particularly in the areas that we did discuss, that we make sure that we are looking at that with a critical eye and making sure that there may be some adjustments to be made there with greater efficiency and the police force as we are currently operating.

So -- and what I also don't see is anything that's being suggested related to some of the areas, the report didn't touch on any of these particular types of areas of concern that we have. I certainly know they didn't have anything to do with our parking situation and some of the rest of this. So I don't feel that we are going to be threatened by actually going somewhere in the other direction on this particular application. So I'm going with the city manager's suggest here. It is a change from the original that I voted with as well, from the original position I had taken a few weeks ago.

With that, I think we have to further questions on this and we have an alternative motion which is to accept the city manager's request to have these budgeted items reinstated and filled in the next fiscal year. And that's just a restatement.

So we are ready then to vote. All those in favor, indicate with an aye, and those opposed with a nay. The motion passes 5-2, with Councilwoman Milhaven and Vice Mayor Smith opposing. I'm not sure where that puts us.

[Time: 03:14:01]

Acting City Manager Brian Biesemeyer: We have one other issue, Mayor. The TDC, since we last met or the TDC has made some recommendations on two items in the budget. One was the

downtown event activation. Both of these were supported with bed tax dollars and they recommended that -- in favor of that use. They, however, did not support downtown ambience lighting, which is a \$500,000 one-time expenditure that in the budget is put to bed tax dollars and so I wanted to be transparent of this, and bring forth the TDC's recommendation to council for consideration.

Staff still believes that the ambience lighting is relate to tourism dollars. It does make for a better downtown and more attractive special events in Downtown. Therefore we have left that in the budget as proposed with bed tax dollars. However, I don't want to be accused of not bringing the issue back to council.

Mayor Lane: Very good Mr. Biesemeyer. Thank you for bringing this forward to us. I will start with Councilman Phillips.

Councilman Phillips: Thank you, Mayor. I know we did discuss this before. My feeling on this is I would recommend both of them. I'm not sure how council wants to look at, it but I just wanted to relate that I did do a job downtown, and I was on a particular building, and this were lights strong across the street with little bulbs that light up at night and it was connected to an extension cord which was connected to an extension cord and I spare it went over 300 feet. That is like so dangerous! So we can't have that one way or the other.

So you know, whether tourism dollars pays for this or pays for the whole thing or we pay for it, or we pay for half and they pay for half, I think it needs to be done. With that, I will see what the rest of the council wants to do.

Mayor Lane: Thank you, Councilman. Councilwoman Korte.

Councilmember Korte: Thank you, Mayor. Mr. Biesemeyer on the Downtown ambience lighting, this \$500,000 from bed tax, isn't that just a portion of this project downtown? Do we not have some C.I.P. money allocated to other parts of downtown for lighting and electrical outlets, et cetera?

Acting City Manager Brian Biesemeyer: That is correct. We do have another lighting project downtown which is in the C.I.P., which would be just for replacing and putting in traditional street lights. This is special in the fact that it's actual plug-ins that allow for the ambience lighting. And that the distinction. And that's why the staff has gone with the recommendation as it is.

Councilmember Korte: So this is really synergistic with our C.I.P. project?

Acting City Manager Brian Biesemeyer: It is. I was double checking that my staff was in agreement.

Councilmember Korte: Thank you. I am in support of both of these recommendations.

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

[Time: 03:17:18]

Vice Mayor Smith: Thank you, Mr. Mayor. I think -- let me ask a question, Mr. Biesemeyer, are you asking if we approve these projects or we approve them charged as -- to the general fund versus the tourism fund or whatever?

Acting City Manager Brian Biesemeyer: It's in the budget right now that these are -- the question is more how they charge, not that the projects should go because --

Vice Mayor Smith: I too support these projects. I think we all do. This is just a question of where they are charged?

Acting City Manager Brian Biesemeyer: Correct.

Vice Mayor Smith: And for my two cents, I respect the vote of the Tourism Development Commission. The downtown ambience lighting, there's always a fuzzy line of what we can call a tourism enhancement and what we can use to keep the city running and looking good. And I know this was a split vote open the Tourism Development Commission on whether they could or should be paid for out of tourism dollars.

It is my feeling to go with the majority of the tourism development commission, which is to say -- and I will make a motion to this effect, that the Downtown event activation, \$300,000, be paid for by the tourism development fund budget and that the downtown ambience lighting \$500,000 expenditure be paid for out of the general fund C.I.P. Did I state that the same way as the TDC would have stated it.

Acting City Manager Brian Biesemeyer: I'm not sure that it's exactly, but I get your intent, that the ambience lighting be paid for out of the general fund.

Vice Mayor Smith: Correct. That's my motion.

Mayor Lane: That's your motion? That motion dies for a second. Councilwoman Littlefield.

Councilwoman Littlefield: Thank you. I too would like to chime in and say I like both of these projects. I think ambient lighting is something that's related to tourism. If you think of places that you have gone as a tourist that has a special lighting or a special lighting effect to it, and I'm thinking of the light posts San Diego. You go to the gas light district in San Diego, and it gives a tourism light effect. I think this is related to tourism and I would prefer to spend the half million from the tourism fund and then the rest of it that's currently in the C.I.P. to put that lighting in right where it is. Thank you.

Mayor Lane: Thank you, Councilwoman. I don't know that it's a question about supporting these items. They are in the budget. Really the only decision to make is whether or not they continue to be charged in the budget to the TDC fund.

Acting City Manager Brian Biesemeyer: Correct.

Mayor Lane: And I would just make the motion that to accept both of these items, as is in the budget currently, as being charged with it being paid for through the TDC funds.

Councilmember Korte: Second.

Mayor Lane: The motion has been made and seconded. Would the second like to speak to it?

[off microphone comment]

Mayor Lane: Yes. Yeah. Yeah, that's exactly right. We are voting to -- as it is. Confronted with the question. I could have stated it that way. We are ready to vote just to affirm that it is stated the way it is. All of those in favor okay with an aye. Opposed with a nay. The motion passes 6-1 with vase Mayor Smith opposing. Thank you very much for that opportunity to weigh in on that and keep it as it is.

Acting City Manager Brian Biesemeyer: Thank you, Mayor and then Dan Worth has the remaining C.I.P. portion of the budget to present.

Mayor Lane: Okay. Before you leave here entirely, Councilwoman Klapp has got a comment or question.

[Time: 03:21;40]

Councilwoman Klapp: This was a few slides ago and I wanted to bring it up just for conversation and that is that you have in the budget the increased hours to the downtown trolley that came from our discussion last week about -- about this issue. And I just would like to say that aisle not totally convinced that this is a great idea, and it was partly based on the conversation and partly based on reading through the surveys and some of the comments that were made in the surveys. And so one of my concerns is how are you going to monitor this. You may not be able to answer this. Paul Basha may be able to answer it.

How are you going to monitor. 5:00 in the morning an employee goes to work. What's their incentive to go a long way away from their office to a place where they are going to park their car and take a trolley to their office when at 5:00 in the morning, there's all kinds of parking places available for them to take right next to their place of work.

Transportation Director: My name is Paul Basha, transportation director. The parking spaces that will be closest to the employment areas will have restrictions. They will not be able to park there all day. It is a joint effort to restrict parking close to the employment areas and provide free parking with free trolley service further away.

Councilwoman Klapp: Will all the spaces in that area be two-hour parking?

Transportation Director Paul Basha: Yes.

Councilwoman Klapp: And also, I don't feel I had a sufficient answer to the question the last time. It's how many employers actually have employees that come in at 5 a.m. in that downtown area? Do you have a list? Do you have a number? I was given one name of one employer but I don't know of anybody else that's bringing in people at 5:00 in the morning or, you know, maybe 5:30 or whatever it is. But that early.

Transportation Director Paul Basha: Councilwoman Klapp, I can only remember the number, it's several thousand employees.

Councilwoman Klapp: Is that from one employer or several employer s?

Transportation Director Paul Basha: It's several employers.

Councilwoman Klapp: I'm thinking of the comment that the Vice Mayor made last time, about he's remembering the hospitality trolley and I remember it well. I remember when it was introduced. It was -- it was stated needed by basically the resorts and the hotels and they participated in the cost of that hospitality trolley back then, and then as time went by, they participated less and less to the point where the city was primarily funding the trolley and then we decided to eliminate it.

Because there is the potential for this trolley to not carry very many people, even though we believe it might, and there is probably a need to monitor it very closely, like the hospitality trolley was monitored first part of the question is if any employer has been asked to help with the cost of this, because it's \$200,000 in our budget, and secondly, how will we monitor this? Can you give us an update on a regular basis as to how this is actually being used and whether we can make a good decision on spending that type of money.

Transportation Director Paul Basha: We will be counting the ridership on a daily basis and reporting as frequently as you like. Perhaps on a month-to-month basis and perhaps initially on a week-to-week basis. One of the reasons why we believe this trolley route will be successful is in the afternoons there's a fairly large ridership from the heavy employment areas in downtown on trolleys to remote parking areas. And they currently work from the remote parking areas to the employment areas in the morning and this would just provide the trolley service for the morning part of their round trip.

Councilwoman Klapp: So your observation has been in the early hours, there are a number of people that are parking some distance away at 5:00 and walking to their place of employment?

Transportation Director Paul Basha: That is correct.

Councilwoman Klapp: Thank you.

Acting City Manager Brian Biesemeyer: Mayor and council, I just wanted to clarify. So Paul, when you talked about the two-hour parking, it's not all downtown. You are talking about the specific area we talked on the parking study, correct, just to clarify?

Councilwoman Klapp: Thank you.

Mayor Lane: Thank you, Councilwoman. So we are now ready for Mr. Worth.

[Time: 03:27:00]

Public Works Director Dan Worth: Good evening again Mayor and Council. Just two slides. If you remember, on April 19th, we had the third of three discussions about the C.I.P. And there was a broad agreement on the five-year proposed C.I.P. for the general fund and the transportation fund that we discussed on the 19th. Since then we made one change and this was already discussed by Ms. Doyle during operating budget portion of the discussion, the data resiliency project. It's not a new add. We are just moving it up a year. The effect of moving it up a year, we are expanding the budget expenditure by \$4.9 million in fiscal year '16/17, but it's neutral over the five-year plan. And there is sufficient cash flow projected or cash available projected in the general fund C.I.P. to comfortably handle that increase in budget expenditure authority in fiscal year 2016/17.

The second slide is in response to some questions and discussions that we had, questions from vice Mayor Smith. We spent most of our time in those three earlier council meetings talking about the C.I.P., focusing on two programs, the general fund C.I.P., and the transportation sales tax portion of the transportation fund C.I.P., where we are projected to spend about \$40 million in fiscal year 2016/17, vice Mayor Smith pointed out that the proposed budget showed that we projected to spend about \$250 million total and the question was, where is the rest of it going? This is a high level summary of where the rest of it is going.

We don't spend a lot of time talking about the spending in the enterprise funds and you see the biggest area of spending is in water and water reclamation. Aviation is also fairly large. Both enterprise funds, they spend rates directly. They spend MPC debt that's backed by rates in the case of water and wastewater. They are also spending development fees, but they are spending that within their own five-year capital program. So we don't generally treat those projects as discretionary projects and you can see the numbers that are involved. Preservation, about \$50 million of that is budgeted for land acquisition. Small amount budget entered for trail head improvements both backed by the preservation sales tax increment.

Transportation, we talked about the transportation, .2 of a percent dedicated sales tax of how we allocate that. That's about \$22 million out of the \$55 million. Other major sources of funding in that transportation pot are federal grants. We anticipate about spending about \$14 million in federal grant money this year on projects like the Mustang transit center, Arizona canal path that we are getting ready to start construction on right now. We also spend about \$1 million of M.A.G. Proposition 400 money on projects that have a significant cost share but this is the big one, rain tree is through the airport, and loop 101 frontage road connections.

General government, about 16 million of that 30 million is general fund sales tax revenue. We also have some general obligation bond money from bond 2000, Scottsdale preservation streetscape and some storm water money, it's mostly in the granite reef project. And we've got anticipated spending about \$7.8 million worth of general allocation bond money on fire stations. That was the general government bond that as approved by the voters in the all of last year. It didn't mention it but about 2.5 million is what we anticipated spending from the streets question, the pavement question that was approved by the voters in November of 2015.

And then aviation, about half of that money, 15 million, is going to be MPC debt backed by the aviation enterprise revenue for the new terminal expansion and about \$14 million is funded by grants, FAA grants for taxiway reconstruction and runway rehabilitation.

And if there are no questions on that -- I thought there might be.

[Time: 03:32:18]

Mayor Lane: Yes, Vice Mayor Smith.

Vice Mayor Smith: Just one question. Thank you for the clarification. I think it's interesting. I hope others do too as well, where the 250 million is going. Part of the origin of this question is to ask ourselves whether we are spending anywhere close to the \$100 million of depreciation that is occurring in the category of assets called depreciable government assets. Obviously water is not a depreciable government asset. That over in the enterprise. Neither is preservation. That's land.

Can you tell me, how many dollars out of this 251 actually represents a reinvestment in the city's depreciable asset base, the \$3 billion of assets we have?

Public Works Director Dan Worth: Vice Mayor, the bulk of the depreciable government assets are going to be in the transportation and the general government categories on the chart here. The general government category almost all of that is reinvested in existing infrastructure. The transportation category, it depends on how you categorize reinvestment. I will tell you out of the 55 million in transportation, there's about 10 million that's absolutely 100% reinvestment, that the paving money both from the transportation sales tax and from the bond question as well as some smaller sums of money for placement of existing traffic infrastructure. The rest could be categorized as reinvestment. The bulk of the other projects and the transportation fund are adding capacity. They are adding lanes. They are adding turn capacity, improving intersections. They are designed to provide a transportation asset that works better than what we now have, but in doing so, we are replacing significant portions of the existing assets. So it is largely reinvestment.

Vice Mayor Smith: And perhaps the word "reinvestment" should not have been used. Is it to replace or to find something new? You are saying these two categories, 55.2 and 59.9 would represent the investments that would eventually be categorized as depreciable assets in the government sector.

Public Works Director Dan Worth: That's correct.

Vice Mayor Smith: \$84 million, that's close to 100, not quite but it's there. Thank you.

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

Councilwoman Littlefield: Thank you. I just had a quick question for you, Dan, just because I wasn't sure myself. On the RWDS, that's the reclaimed water distribution system?

Public Works Director Dan Worth: That is correct.

Councilwoman Littlefield: Why is that not part of the water and the water reclamation fund? Why is it separate?

Public Works Director Dan Worth: We track that separately. It's subscription based. There are entities that pay into that and that money can mix with the general water or wastewater revenue. It's a separate fund.

Councilwoman Littlefield: Thank you.

Mayor Lane: Thank you, Councilwoman. And thank you, Mr. Worth.

Public Works Director Dan Worth: And then the last slide is just a reminder of the final two steps that remain in our budget approval process, meeting June 7th, final public hearing and final budget adoption and then June 21st the hearing and the adoption of the tax levy.

Mayor Lane: Thank you. We do have one final comment or question from Councilwoman Korte.

[Time: 03:35:53]

Councilmember Korte: Thank you, Mayor. And really directed to our city manager. I'm going to assume you are looking for a motion to adopt this ordinance?

Acting City Manager Brian Biesemeyer: Mayor, Councilwoman Korte, that's correct.

Councilmember Korte: Okay. I move to adopt ordinance number 4257 as modified by council, establishing the tentative budget for fiscal year 2016/2017.

Mayor Lane: Second. Mr. Washburn?

City Attorney Bruce Washburn: I just want to make sure that I'm clear on this. The motion is to adopt ordinance 257 but modified to exclude the commercial recycling proposed rate and fee changes and also modified to reinstate the police positions? I believe those are the two changes.

Councilmember Korte: That's the only two I remember.

Mayor Lane: Okay. I don't need to vote against the whole things because of the modifications. You are getting me somewhere. Okay. The point has been made. So I will stay with my second on it, but it is ordinance 4257 as amended just by that language. The motion was made and seconded.

Vice Mayor Smith?

Vice Mayor Smith: Thank you, Mayor. Fundamentally, I'm not opposed to approving this budget. I think a lot of work has gone into it and I commend staff, the city manager and everybody involved. But before I just quickly signed on to it, I would like to revisit an item that came up in the general fund presentation, Ms. Doyle, on your slides and it was slide, if we can get back to it, that talked about where we thought we would end up this year. Whatever you call it, the final compared to the last forecast or maybe it's the forecast compared to the proposed.

While you are searching for that, I will tell you what I'm going to inquire because I think it said over there in the past few weeks or months -- there it is. Lower right-hand corner, it said the sources over and under the uses is \$1.2 million and that's just between when we -- where he thought we were going to be when we had the proposed budget, versus where we think we are going to be now. And so we picked up \$1.2 million in that per of time.

The council report you submitted detailed for us all the items that are accomplishing that \$1.2 million of reduced spending. One of the items for \$400,000 related to some capital improvements is simply a timing difference. We will carry it over to next year. So it's not really found money. It's just a timing difference. But the other 800,000, I think can be fairly characterized as I will call it found money in this year's budget and pardoning my phraseology, is that a correct mathematical statement?

Budget Director Judy Doyle: Yes, sir, it is.

Vice Mayor Smith: Then I would like for the council to consider what we might do with that \$800,000 other than just letting it sit there in unreserved fund balance. I consider this something that I have an opportunity to address some other needs with that. And in particular, I would like to see the bulk of it being allocated to the C.I.P. program over and above the extraordinary \$5 million that we allocated in the food tax that we are putting in there and everything else.

But there's one other item that I would like for the council to consider and that is going all the way back to now many hours ago, a presentation was made on the extraordinary success and public image improvement for the city that came from the Canal Convergence program, and I don't know whether you heard but in the midst of that discussion, Mr. Herberger as well as the president and C.E.O. of the cultural council urged the city council to double down on this and do it for two weeks rather than one next year. So of the 1.2 million dollars that we have suddenly found that we will have in extra money at the end of this year, 400,000 will be carried over to next year to fund the timing difference, and of the 800,000, I would propose that 100,000 westbound spent to indeed fund the Canal Convergence in

the manner that we have done in the past year, but for a second weekend and \$700,000 be directed to the C.I.P. program. That's my desire. That's my desire.

The motion is to take \$800,000 from the unreserved fund balance and allocate it \$100,000 for a second weekend of Canal Convergence in 2017 budget -- 2016/17, and allocate 700,000 as an additional contribution to the capital improvement plan. That is my motion.

Mayor Lane: The motion fails. I'm sorry. Councilman Phillips.

Councilman Phillips: According to Vice Mayor Smith, that 800,000 if we don't go along with this tonight, where does it go? Will it just sit there in the general fund or is it C.I.P.

Budget Director Judy Doyle: Mayor and members of council, that additional money will stay in the general fund unreserved fund balance.

Councilman Phillips: My opinion is that we see if there is a need instead of making a decision tonight.

Mayor Lane: Thank you, Councilman. The motion fails for a lack of a second of the but let me mention one thing. I suppose that these call out for one off on some of these projects that we're talking about with cultural council, I think was worthy as they may be, they are were contract with the cultural council that it's a matter of routine. I would rather -- personally, and I know we don't have this motion on the table right now, but I -- it may be coming yet, but at the same time, I just -- I'm concerned about us continuing to add bits and pieces out of this -- out of these funds when we have so many very, very important things that are involved with -- directly with the city that we have to attend to, even if we don't 50 us it immediately, it is the kind of funds that we do draw upon for those emergency, particularly C.I.P. issues, one-time requirements there.

The other thing I was going to ask, we had a couple of occasions, I don't know whether the rates and fee that we did not adopt with the solid waste, whether that \$300,000 is coming out of the budget somehow or other. Was that an assumed amount and Mr. Biesemeyer -- or maybe Judy you can answer that.

Budget Director Judy Doyle: Yes, the intension with the ordinance the motion, to exclude the proposed rate and fee changes to the commercial recycling, the budget will be reduced by that \$300,000.

Mayor Lane: So there's some of those things that have been occurring tonight. I will leave it at that and just with that cautionary note, as far as I'm concerned on the -- on these allocations, the new contract agents for the city, on a one after basis. Councilwoman Milhaven.

Councilwoman Milhaven: Thank you, Mayor. One is I would like to just note that we are already dipping into the unreserved fund balance for \$7 million. So it's not like we have an extra eight hanging around.

The other was a point of clarification. I know that earlier we gave the Canal Convergence \$100,000 as a matching gift. It was my understanding that that was seed money for that to be held in 2017, even though it was paid in 2016 and I see folks nodding that's correct. We have already funded the 2017 for \$100,000. So think I think we're covered. Thank you.

Mayor Lane: If you want to speak. You haven't spoken yet.

Councilmember Korte: I call for the question.

Mayor Lane: I second it. All right. So the motion is on the table as it is right now for the acceptance of ordinance number 4257. And we are now ready to vote. All of those in favor please indicate by aye. Those opposed with a nay. Aye. It's unanimous acceptance then. All right, Judy, thank you very much and Mr. Worth and Mr. Biesemeyer.

ITEM 28 – MEDICAL MARIJUANA TEXT AMENDMENT

[Time: 03:46:52]

Mayor Lane: The next is medical marijuana text amendment, initiation 65-pa-2016. Discussion and possible initiation of a text amendment to the city of Scottsdale's zoning ordinance 455 regarding the conditional use permit criteria for medical marijuana uses. We have Mr. Bryan Cluff, I believe, if he is able to survive the evening to this point. Oh, yes. He's making his way to the podium, I'm hoping.

Senior Planner Bryan Cluff: Good evening Mayor Lane and Councilmembers. My name is Bryan Cluff with the city's current planning department and this is 65-pa-2016, the medical marijuana text amendment initiation.

At the council's request, staff has prepared this item for the discussion of some possible options for a text amendment related to the location requirements for medical marijuana uses. And most importantly, we are looking for the council to take action to initiate the text amendment to get the process started. The council had previous discussion on this item on March 29th in which city council asked for additional information and specifically asked staff to look into the following items. To research other valley communities regulations on the issues and what they might be doing. Look into specific changes and the separation requirements for medical marijuana uses and a half mile separation was suggested and also to consider allowing medical marijuana in the SC zoning district and how might legalization of recreational marijuana impact our regulations on medical marijuana and then also looking to grandfathering provisions for the proposed text.

This is a quick summary of our existing conditional use for medical marijuana uses. All operations within an enclosed building and we currently have two protected uses, residential districts and schools with a separation requirement of 500 feet. And also a required separation of a quarter mile between other medical marijuana uses, subject to the approval of the public safety plan, limited hours and no drive through service.

As part of our analysis, staff surveyed eight other valley cities to find what regulations they have in place, and what changes they are making in response to recent increase in medical marijuana. Some interesting items of note came from that research and that the average separation between medical marijuana uses of these eight valley cities is approximately 3700 feet. And the city of Scottsdale is currently at 1,320. Also, the average protection for schools among the other valley cities was 1,220 feet, with city of Scottsdale currently at 500. Scottsdale also has the least number of protected uses and the more popular ones that the other valley cities had were churches, child care, parks, and community buildings which Scottsdale currently only has residential and schools.

Also some other valley communities are making changes. In December of 2015, the city of Tempe approved a text amendment to their ordinance that capped the total number of facilities allowed within the city at two, which was the current number of facilities they had at the time. Also in April of 2016, Phoenix updated their ordinance increasing distances from protected uses and also adding some additional protected uses. And then just a little over a week ago, on May 6th, the town of Gilbert updated their ordinance to cap the number of facilities allowed within the jurisdiction to two. Which was also how many they currently had.

Based on our research in the other valley cities and analysis of our own existing conditions, staff is offering the six suggestions for possible text amendment directives. And they are separated up into four different categories, first one being increasing separation requirements. This one has a, b, and c options which are different levels of tiers for increasing separation requirements.

The first one, option a, being to increase the separation between protected -- or between medical marijuana facilities from a quarter mile to a half mile, and increase the schools from 500 to a quarter mile. This would result in a potential reduction in potential areas for medical marijuana uses by 51%. Leaving potentially 17 future sites approximately and it's important to note that these potential future sites are based on these medical marijuana uses locating most efficiently as possible within the allowed areas.

Option b takes it to the next step further using the separation between medical marijuana uses at a half mile, the same as a, but it adds residential and schools at a quarter mile. And that gives us 77% reduction leaving eight potential future sites and then c looks at increasing the separation requirement between medical marijuana uses and also schools and residential all the way up to a half mile separation and that results in a 97% reduction leaving potential for one future site.

Option d would be to add additional protected uses. Some of the uses that most jurisdictions have that the city of Scottsdale didn't was churches, child care and/or parks. And based on other valley cities a quarter mile separation associated with those protected uses appears reasonable.

Option e would just -- to place a hard cap on the number of facilities in the city. We currently have five within the city of Scottsdale. So that could be capped at five, potentially if that option was chosen.

And then option f has to do with only allowing medical marijuana uses in the sc special campus zoning district which there are three applicable special campus zoning districts within the city of Scottsdale and those are the three major hospital campuses we have, the Mayo, the Shea and the Osborne campuses. So that would limit it to those three sites.

If any facilities were to locate on those sites, based open the existing separation requirements, potentially two could fit within each one of those sites, leaving six possible locations. Some other considerations are to add a non-conforming cause to the text amendment text and almost all the proposed options would result in implications of making the existing medical marijuana facilities non-conforming due to the increase in operation requirements. So this is some language that could potentially accomplish that. Keep in mind this is just draft language that would need further analysis when drafting actual text, but this would essentially allow the existing conditional use permit facility as established to continue operating and potentially to be able to renew their use permits under the old provisions.

And the next step, if this is initiated tonight as staff will move forward in preparing a draft ordinance for recommendation. We'll take that to the public per our standard public involve processes which would include notification of interested parties, required publications and advertisements and to hold two open house meetings. After that, we would compile all the public input and prepare an item for planning commission consideration and after planning commission would return back to you for council discussion and action at which point you could revisit the proposal and would still have the opportunity to make changes to the proposal.

And I will just end on this slide again, in case you want to reference any of the options and keep in mind these aren't concrete options. This is just an initiation. These can change based on your direction. And we are looking for direction on how to proceed and hoping for an initiation of the item tonight. Thank you.

[Time: 03:56:33]

Mayor Lane: Thank you, Bryan. And let me reiterate that we want to initiate on moving forward on this, on top of everything with some consideration for direction but we want to make sure that we get this in motion this time. We do have one request to speak from the public. We will do it before we take some of the comments and the questions from the council. And Mr. Ryan Hurley.

Ryan Hurley: Good evening Mr. Mayor, members of the council, I'm Ryan Hurley with the Rose Law Group. I'm here tonight on behalf of the harvest and monarch dispensaries, both located in Scottsdale. I'm here simply to reiterate our request and support the intent of staff's language to grandfather existing dispensaries into whatever direction that the council decides to take on the ordinance. All this would allow them for to renew their existing use permits assuming they are in compliance with the current stipulations and the current use permit. We believe they have made reasonable investment-backed expectations, based on the reliance on the existing ordinance and it is appropriate to grandfather those businesses into to protect those expectations.

In addition, just looking at the options above, while certainly a hard tap on the number five would probably benefit my clients the most, we do believe that one of the other options was probably more legally defensible because it does still provide other areas of the city that are available. Option a, for example, as your staff has noted is most consistent with other jurisdictions and does still provide some possible areas of the city for new dispensaries. The last option, just sim my limiting to the S.C. zoning district, I will tell you from my experience that although technically those properties are available as far as the zoning code is concerned from a business perspective, they are not viable because they are not available either for sale or for lease for these types of uses. So that's all I have. I'm happy to answer any questions.

Mayor Lane: Thank you, Mr. Hurley. We will go -- this is a comment period. It's not a matter of exchange. If any council members have questions, you can certainly answer them.

[Time: 03:58:59]

Councilman Phillips. Yours was up here early, but nevertheless the --

Councilman Phillips: There was a number before me. Maybe they pulled it off or something. But since it's me, so all of these options that the staff have come up with is this -- are we looking at one option or two options or can we look at all the options. Is that what you are saying?

Senior Planner Bryan Cluff: Mayor Lane, Councilmembers and Councilman Phillips, there is the possibility of combining some of these options, for example, option d, which would be adding protected uses could possibly combine -- be combined with a, b or c, to accomplish the goals.

Councilman Phillips: Okay. But we can't just say, let's do them all? We have to pick a couple that will work because it sounds like they are all good to me. So --

Senior Planner Bryan Cluff: Mayor Lane and Councilman Phillips. The options, a, b and c are specific to different separation characteristics. So if you would choose one of those, it would need to be one a, b or c, which could then be combined with d and then e and f are kind of on their own also.

Councilman Phillips: Wow. Okay. Well, I would like to make a statement first and that is I find it funny that our state is opposed to legalizing marijuana because it's against federal law. To get it forces cities to accept marijuana dispensaries. Municipalities like Scottsdale are being stymied in protecting and serving their own residents. My hope is that the league of cities and the residents alike will tell the state legislature that usurping municipalities rights is unacceptable and is reducing the ability to provide the safety that our residents deserve.

[Time: 04:01:26]

Councilman Phillips: So with that, I would, I guess, move to direct staff to initiate a text amendment in the city of Scottsdale. But since I can't pick them specifically, I would say d and then maybe other council can add to that.

Mayor Lane: You know, I'm trying to think -- excuse me, Councilman. What is the best way for us to weed our way through this list of items. You know, we have to choose between a, b or c. If I get this correct, we have to choose whether to invoke, d, e or f. Is that essentially right, Bryan?

Senior Planner Bryan Cluff: If I could clarify, there's not any options that you are required to choose. What I was trying to state earlier is that you wouldn't be able to choose a, b, and c. You could choose one of those or d only or e only or come up with alternative options.

Mayor Lane: And we are just talking about direction right now. We are trying to initiate this process and give you some ideas as to what we think would be appropriate. And if this were a work study, you would have to determine from our conversation which ones to consider. But I'm just trying to think of an orderly way that we can get communicated as we advance this forward. But is this the only real check list?

You have another item and for whatever reason, my series of slides are in a very different order than we have had up on the screen. But you did have some other considerations and I'm wondering if this is the considerations (reading from the document) pursuant to the regulations established under ordinance number 3982. If I were to ask the question on that one specifically, does that respond to existing being grandfathered or that they have to come back and apply?

Planning and Development Services Director Randy Grant: Mayor Lane, Randy Grant, planning and development services. That applies to the ones that already exist. And it would be protection from them, provided that they are in conformance and came back through to renew their use permit. It would provide protection from them, from any of the criteria that you established, that might conflict.

Mayor Lane: Okay. Okay. All right. Thank you. Now, with all due respect, Councilman Phillips, I'm not sure if yours was a motion to accept.

Councilman Phillips: Yeah, it was to direct staff for the initiation of a text amendment and I agreed with Item D, but if somebody wants to amend that and add some other item or change it, that is fine too. I guess if you are just looking for direction I am willing to do all of them, so --

Mayor Lane: Well we probably speak towards what we think is the items that should be considered. Vice Mayor Smith.

[Time: 04:04:36]

Vice Mayor Smith: I will make a recommendation to do c. At the moment, I'm recommending that whatever ordinance, we put together, it includes option c.

Councilwoman Milhaven: Second.

Mayor Lane: Would the second like to speak to that? I appreciate you taking the initiative on that

approach. Okay. Councilwoman Littlefield, do you want to speak toward it?

Councilwoman Littlefield: No.

Mayor Lane: And Councilwoman Korte, do you want to speak toward it? Okay. Councilwoman Klapp then.

Councilwoman Klapp: The question is if we adopt c, how many of the existing 5 are affected by that? Versus b or c? Are all of them affected in c?

Senior Planner Bryan Cluff: Mayor Lane, Councilwoman Klapp, in all three options of a, b and c, it does affect all five of the existing facilities.

Councilwoman Klapp: So they would all become non-conforming uses if we adopt that?

Senior Planner Bryan Cluff: Correct.

Councilwoman Klapp: Thank you.

[Time: 04:06:48]

Mayor Lane: All right. Councilwoman Littlefield, you are back on the screen.

Councilwoman Littlefield: Back in play. Thank you, Mayor. I would just like to make a couple of comments with my thoughts on some of this, first. Looking at where we stand in relationship to our neighbor cities, I think we need to take some steps to add protections for Scottsdale. I have a concern that if we don't do this tonight, Scottsdale will become the go-to place for all the marijuana dispensaries that are looking to move because our rules would be so lax in comparison and I also believe that keeping a consistency with our neighboring cities it makes a lot of common sense.

So first of all, I support c. I have think that's good. I would also like to see a list of the protected uses and I think we should include the schools and the residential areas that we currently have. I also think churches, child care, parks, community buildings, libraries, hospitals, homeless shelters, youth centers, rehab centers, all of those should be part of the protected uses for Scottsdale. It makes, to me, no common sense to have a marijuana dispensary right next to a rehab center. I'm sorry. And I like increasing the separation requirements.

I also agree with part d and with part e, five dispensaries have been approved here in Scottsdale, and I would agree that we need to grandfather in those five facilities in such a way that there's no problem with the use of these facilities that have already been approved.

I do have a question for you, Mr. Washburn. I would -- I would personally be in favor of a hard cap to be placed on the number of dispensaries and that cap be placed at five. If we also increase the separations, as listed up here, and as I said, would this accomplish the same thing as a hard cap? And

if so, in your opinion, what would be the best alternative legally?

City Attorney Bruce Washburn: Based on the information presented tonight, for example if option c were adopted then there could only be room for one future facility to be added. So that's not the same thing as the five facility hard cap, but it's pretty close to it. So it is pretty much the same purpose.

Legally, let me say this, there's really two legal considerations, two primary legal considerations in what we brought back, I think or what can be done, and those are the medical marijuana law allows cities to impose reasonable zoning regulations. So the more traditional zoning regulation type of -- in positions would be separation requirements, protected activity requirements. So those are probably the most easily defensible, is reasonable zoning regulations, hard caps are probably the hardest to defend.

I think all of these, there's legal arguments to be made in defense of all of them, but if you are asking me, what's the safest, what's the most legally easily defensible, it's probably the hard caps. The -- you know, limiting it to only one zoning district, I could see some real issues being raised about that. Again, it's defensible but it's probably not the most easily defensible. I guess my list would be from a legal standpoint, operation requirements adding protected uses, then the hard caps would probably be -- and limiting it to just the special campus zoning would be the hardest to defend.

Councilwoman Littlefield: Thank you. Then I would also like to add d to c. And add the additional uses that other cities have protected that I listed earlier, churches, child care, parks, community buildings, libraries, hospitals, homeless shelters, youth centers and rehab facilities. Thank you.

Mayor Lane: Thank you, Councilwoman. What we have on deck right now is a motion on c. And so that still stands. So Councilwoman Korte?

[Time: 04:11:29]

Councilmember Korte: Thank you, Mayor. Regarding the existing five and regardless, if we want a, b, c, they are looking at being in noncompliance, what are the best mechanisms to grandfather and protect those rights of the existing five?

City Attorney Bruce Washburn: The -- something along the lines of what's been suggested, and I believe it was said that, you know, as we went through the process of developing the ordinance, we would probably want to refine the approach but basically saying to the existing facilities when you come back in for the C.U.P. renewal, you will be judged by the same standard as if the ordinance had not been changed. So that way they have got the same rights, assuming again, they are in compliance that they have right now, that it's probably the safest way to do it.

Councilmember Korte: Thank you. Then I am in agreement that c is a good place for us to start my concern with adding d, and particularly community centers and hospitals and rehabs. How do you define all of that? You know, how do you define medical clinics some what kind of rehab centers?

Is that all rehab centers? Physical rehab versus behavioral, versus drug and alcohol? Whatever that is, I think it gets really complicated. So I would be supporting the motion as is.

Mayor Lane: All right. Seeing that we have to further questions on -- motion as is, which is to accept or to give guidance as we move forward with this initiative to take item c from the a, b and c route. So I think Mr. Washburn.

City Attorney Bruce Washburn: Just to be clear, it's to initiate the text amendment process and then --

Mayor Lane: Thank you. Initiate the text amendment process with some guidance as far as c is concerned. That's the motion right now. And we are taking it one at a time. So I think we are then ready to vote on that motion. All of those in favor of the motion as has been stated. Please indicate by aye. Those opposed with a nay. It's unanimous to accept c.

[Time: 04:14:14]

Mayor Lane: Moving right along, I think if there's some consideration nor d, I have got a question as to whether or not just as it's stated church -- adding churches, child care and/or parks at 320 or quarter mile distance, does that do something beyond the -- what c has already done? In other words, we were told that there was one available space.

Senior Planner Bryan Cluff: Mayor Lane and councilmembers, you are correct that option c in itself would limit it to a very small area. We do have churches mapped in our G.I.S. system already. There are -- the area that's left with option c is in the airpark area. We do have a few churches in that area that may further restrict that with regard to the other uses.

Mayor Lane: And child care.

Senior Planner Bryan Cluff: Correct. So it would take further analysis but it may or may not affect that last little area that's left.

Mayor Lane: Okay. Well, I think from a defensible position as I think I'm hearing, I would make the motion to add d in the present state of church and child care and parks as guidance in this process.

Vice Mayor Smith: Second.

Mayor Lane: The motion has been made and seconded. Any further comment on that?
Councilwoman Littlefield.

Councilwoman Littlefield: Yes, I have a question. There was a slide in my presentation that's not been placed up here that showed the differences between the areas that Scottsdale currently was protected toward and the other cities. What this d will do will cover some of those areas but not all of them that were listed because the items that I had read off earlier were from those other areas.

So would that still leave Scottsdale more vulnerable or would we still be protected against additional dispensaries coming in?

Planning and Development Services Director Randy Grant: Mayor Lane, Councilwoman Littlefield, it would essentially say that there is an extremely limited area and number of additional dispensaries that could come in, as little as one. We think it would be one.

Councilwoman Littlefield: Okay.

Planning and Development Services Director Randy Grant: So the limitation on additional uses is probably unnecessary because the separation requirement is going to take care of all but one additional site.

Councilwoman Littlefield: Thank you.

Mayor Lane: Seeing there's no further comment on that, that motion as has been stated all of those in favor, please indicate by aye. Those opposed with a nay. Aye. So added to the direction on this, and this initiation of the process is item d.

[Time: 04:17:19]

Mayor Lane: The only other thing that I think is something we need to address, I think we have gotten it down to those protected areas, is the consideration for -- and this is from the standpoint of legal protection for the city in the grandfathering aspect of this and I would make a motion that we seek some guidance in this process as to how that may be affected the best possible way and I will leave that as a motion and I will ask for a second.

Councilwoman Milhaven: Second.

Mayor Lane: The motion has been made and seconded. No further -- okay. Yes. Councilwoman Klapp.

Councilwoman Klapp: I guess I just want to point out that if we are going to grandfather the five in non-conforming, essentially have we not created a situation where the last guy in has got the best rights because he's not going to -- he's going to put in a facility that will be conforming. It's just a thought. We have five non-conforming uses and that facility can locate in a place where he's met all of our requirements. It's an observation of we set up a good situation for one medical marijuana facility.

Senior Planner Bryan Cluff: Mayor Lane, Councilwoman Klapp, that's correct.

Mayor Lane: Okay. With that then, the motion still stands. I think we are ready then to vote. And this is the grandfathering provision, to seek to get some direction in this coming back and how we can best facilitate that. All right. That's unanimous on that motion.

I don't know that the other consideration passage is necessary or frankly that it doesn't somehow interfere with what we are doing but someone might explain to me. Now, I'm talking Baghdad what I quoted out under other consideration, this medical marijuana uses. It's in that provision to add non-conforming medical marijuana use provisions for existing locations. And this can be brought into the thought of grandfathering, as far as this application as well?

Senior Planner Bryan Cluff: Mayor Lane and council, that is correct, that the other considerations within the report and the presentation are intended to address the grandfathering.

Mayor Lane: So the guidance is already there as to how you use that. Okay. Is there anything else that -- any other -- we have already done -- we already expressed our interest in advancing this so -- this text amendment. So I think we are in good shape and I want to thank you for your presentation and thank everybody for their input, and we are completed on that item.

ITEM 29 – PLANNED SHARED DEVELOPMENT TEXT AMENDMENT (7-TA-2014)

[Time: 04:20:23]

Mayor Lane: So we will move on to item 29, which is planned shared development text amendment, that 7-TA-2014. And it looks like Bryan, you are going to be center stage on this one.

Planning and Development Services Director Randy Grant: Mayor Lane, if I could. I know that Mr. Cluff is going to give a very abbreviated presentation on this. I want to frame the issue because this is a fairly complex concept. In 2007, we had a process by which the subdivision ordinance allowed people to divide properties and share development rights between them. We operated under that and there were several perimeter exceptions. Several of those were approved by city council and required a separate development agreement and had to be on the plat. We since come to find out that we really need to technically be doing that with the zoning ordinance instead of the subdivision ordinance.

So what is before you this evening is a correction, if you will, that allows us to validate the process of sharing development rights between properties and this is important to people nowadays that are financing projects because they want to be able to own the piece of dirt that they are developing. But the development standards may be shared among adjacent properties as long as they come in with a shared development agreement.

This doesn't allow anyone to get additional development rights or increase density or anything like that. This is simply a way of validating the concept that we had for several years, nine years now of saying that each property may not be able to stand on its own, but combined together, under a development agreement, they meet the development standards that are commensurate with what they would be doing individually. Some may be on some open space. It's not increasing anything functionally, it's simply a different way of allowing people to finance projects and to develop those projects innovatively.

[Time: 04:22:37]

Senior Planner Bryan Cluff: Thank you, Randy and good evening again, Mayor Lane and Council. This is item 7-TA-2014, the planned shared development overlay text amendment. This is and a request for approval of a city initiated text amendment that will create the planned share development overlay district it's intended to achieve the same result as a perimeter exception as Mr. Grant has previously stated. This was initiated by the planning commission on October 8th of 2014, and it was reviewed and recommended approval by the planning commission on March 2nd, 2016.

I'm going to skip over some of the background information here based on the discussion that we have already had here. And shortly, the perimeter exception plat, which is currently in the land divisions ordinance, the location of that process within land division ordinance has created the potential for technical zoning deficiency, through the modification of development standards without a zoning action.

The proposed PSD overlay district is intended to resolve these technical deficiencies, while maintaining the same concept. So the PSD overlay is a new zoning overlay, intended to replace the perimeter exception process. It does require planning commission recommendation and city council approval on a case by case basis for each project moving forward and it allowed city council to amend standards within the boundary of the specific development.

Some of the specifics of the PSD overlay, it requires a minimum size of 5 acres, land use provisions of the PSD overlay refer back to the underlying zoning district. So there's no change in land use provisions. Same with the development standards. It all refers back to the underlying zoning district. So all of those standards can be shared and amended within the PSD overlay boundary, all development standards still need to conform with the underlying district. Any transfer of development rights are required to be documented and recorded against the property, along with shared facilities. Those two items transfer of development rights and shared facilities are typically handled through a development agreement and for platting, the PSD process for zoning approval doesn't create any lot boundaries. So after the PSD districts approve, they would still need to go through standard subdivision process.

And as far as the PSD process goes, if the applicant wanted to achieve the overlay district, this he would submit a zoning district map amendment and provide a development plan accompanying that application which would address site planning, land use circulation, land use and demonstrate compliance with the underlying zoning district. After planning commission review and recommendation then the city council would review and approve if it meets all applicable requirements.

The public involvement on this text amendment follows our standard procedures. We held two open house meetings. We didn't get a whole lot of public input through our public process. We did have everything on our website through the whole process. Planning commission had a non-action

discussion February 24th, and then they had the recommendation for approval on March 2nd. And that concludes staff's presentation and I would be happy to answer any questions.

[Time: 04:26:23]

Mayor Lane: Thank you, Bryan. We have one request to speak on and I will go to that. It's Todd Decker.

Todd Decker: Thanks, Mayor and Council for the opportunity to speak. I will make it brief. I think as Randy and Bryan indicated, I think this is a matter of course. But I want to thank you for your support on it. It's a big one for us as developers. We are developing a fairly large hotel in north Scottsdale and this is one of the things that candidly, we are waiting on to move forward. Specifically we need a legal parcel so that we can get it financed. And there are many obvious reasons for that, which I can go into if you need me to.

So we are excited about this for a lot of reasons, and primarily, because, you know, the -- there's a great need for this development, this hotel up in that market area. Hotels have a cycle, a life cycle all of their own and as we know, sometimes new is better when it comes to hotels. That's the way it works. It just does and we have a great opportunity now to really fill a hole, a gap in the market up there, specifically to the international winter months, the car shows, the horse shows, et cetera, and the open. We are pleased with that. We feel strongly it will have a strong economic impact and I sat here for four hours thinking about how school that would be to talk about, besides all the money that we are spending. So the total tax that's involved here is great and I can get into the detail on that at another time.

And the other thing that is exciting about it is, again, the opportunity to take advantage of, you know, the tourist activity that's here specifically again in the winter. So there's a lot of benefit to the city on this as well.

The other thing I want to mention is based -- it's on an issue of density that we talked about before, and I understand there's some concern regarding density in the city of Scottsdale and I have to say that I agree with that as a resident here. And we have to be careful of that. The particular area where we are building now is not a high density area. It's at the corner of Cactus and Scottsdale Road. We have a lot of state land around us and we feel confident that this will not be a problem moving forward. We think that this will be a great opportunity for us to build a great hotel, bring in a lot of economic development, and at the same time not impose on the density issue that we are all concerned about. So with that, I want to, again, thank you for your time and specifically thank director grant and his staff. They have been very supportive of us and we appreciate that. So thank you.

Mayor Lane: Thank you, Mr. Decker. That's the only public comment we have on this.

Councilwoman Milhaven: I would like to make a motion to adopt, ordinance 4244.

Councilwoman Klapp: Second.

Mayor Lane: The motion has been made and seconded. Any comment from the second? Okay. Seeing no further comment on this. I think we are ready to vote. All of those in favor, please indicate by aye. Those opposed with a nay. 6-1, councilwoman Littlefield opposing it. Okay.

That does take care of that. Thank you, again, Brian for your presentation and Mr. Grant for your further explanation on this subject. Well done.

ITEM 29 – SOUTHWEST WILDLIFE CONSERVATION CENTER

[Time: 04:30:06]

Mayor Lane: Next item is Southwest Wildlife Conservation Center, and I will speak toward this. We do have a staff contact. I don't know whether Rachel Smetana is going to make a presentation on this. This is a pretty simple one. We can make some -- we can have some controversy over this if we would like, but nevertheless, really this is just a matter of the supporting the county supervisor -- our district county supervisor Steve Chucri to help the southwest wildlife conservation center that has been around for quite a number of years on county land, not far from us here in Scottsdale. And what much beloved by a lot of the Scottsdalians in the area of protecting and recovering and rehabbing that wildlife that may have found themselves in an awkward or difficult situation, either physically or just wandering our city streets.

But in any case, this is going to be a resolution that we are looking to express support for them and their seeking of a conditional use permit from the county and county is going to be having the count -- the county supervisors will have their meeting on June 8th to -- hopefully to see their way to a conditional use permit for the Southwest Wildlife Conservation Center.

So with that, it's a request and I'm happy to make the motion myself. That is to adopt resolution number 10463 expressing support for the continued operation of the southwest wildlife conservation center.

Councilwoman Klapp: Second.

Mayor Lane: The motion has been made and seconded. Any further comment?

Councilwoman Klapp: No. I'm just glad that we were able to support this and I'm sure that our support will make a difference in the hearing at the county supervisors.

Mayor Lane: Very good. I think we are then ready to vote. All those in favor, please indicate by aye. Those opposed with a nay. It's unanimous then. I hope we sent a positive message and we have got -- they have got some great allies with us here. So good luck with that.

ITEM 31 – MONTHLY FINANCIAL UPDATE

[Time: 04:32:27]

Mayor Lane: And so we come to the final motion and we have Mr. Nichols here in front of us again. I know he has been standing by to give us this financial -- monthly financial update. And -- that by decree here. You have one minute.

City Treasurer Jeff Nichols: Mr. Mayor, I was hoping it happened before 10:00 so I wouldn't have to sit through another vote on whether to continue the meeting or not. So I'm very excited. I will do this quickly.

Mayor Lane: I hope this thing is question-free!

City Treasurer: You know, honestly --

Mayor Lane: You only have 45 seconds.

City Treasurer Jeff Nichols: There you go. General fund operating sources look down at the bottom right. Not much has changed, looking at a \$6.6 million, a 3% variance and the sales tax category. If you all have any questions about any items, please let me know. You see a large variance there, 76% in interest earnings. It's the mark-to-market. We may or may not realize that mark depending on when we sell those assets. But we will find on them when we make the sale. We are booking them month to month.

You look at the 1% sales category. \$3.4 million positive variance or 4%. One of the things that we think we are seeing across the board is with the reduction in gasoline prices that people just have more money in their pockets and they are spending that money. Some other categories that we are seeing in this area are in the furniture and fixtures related to people moving in to condominiums, apartment complexes and the like. So we are seeing some upticks in those revenue sources. They are having a positive impact. Looking at the month over month change, you have the 4% or .4 of 1% increase there.

What I would like to note is that from April to April, we're on budget. Vice Mayor Smith had asked before about budget actual for the month last month, and month to month budget to actual, we are right on target or just a little bit below target from a budget standpoint.

On the uses one thing I would like to cover in here, as you can see the salary and the wages, we are seeing some significant savings in there. That's due to people just being hired at a lower rate than what the position was budgeted for for the most part, city attorney's office is a great example. It's also happening in community services and the police department.

One thing that's kind of being masked here that will come out in a later slide is the overtime. You should see no variance here, however, we do have a variance in one department in overtime, and that -- well, actually two variances but one is masking the other. So I will go to that slide. Just a

minute. Here we go. You see there in the public safety fire department, we have about 16, 17 people approximately in training to become advanced life support certified. That's putting some strain on the overtime budget in the fire department because they have to backfill those positions with constant staffing. These people are off getting certified in ALS which is a good thing and they should graduate in January, and looking forward to that pressure coming off in that area. Look at the public safety police. You see a favorable variance of \$2.2 million, one thing that I would like to point out in there is that we have actually a favorable variance in the police department of approximately \$493,000 in our overtime. So if you recall last year, you would increase the overtime budget for this fiscal year. During the budget process, we are enjoying a favorable variance this year and hopefully that lasts through the end of the fiscal year.

One thing we do differently now is instead of just telling you where we are at in April, and from budget to actual, is we actually project out where we think we are going to end the fiscal year. And so in looking at our general fund sources, we think we are going to finish about \$5.8 million ahead of the approved budget in our forecast during the tentative budget and on the expenditure side, we feel like we will be about -- in total operating uses about 1.5 million to the negative. The majority of that you see in debt services and contracts. That's just now the we are saying the money from the Arizona sports and tourism authority and the Maricopa County district -- sports district and it's coming through the general fund and then we are transferring it to the debt service found. So it's creating that deficit.

The transfers I have gone over before. The normal retirees and the public safety retirees that creates those negatives. It's pushing that down. The other thing is in the capital outlays, you see we are only expecting to finish with a \$600,000 positive variance. This is a point in time when we reach out to departments and we ask them where they think they will end up. A lot of times their eyes are bigger than their appetite or what they can actually get out the door and so I fully expect that that may be a little bit more than \$600,000 favorable variance to end the fiscal year. But right now, as Councilman Smith, or Vice Mayor Smith, I'm sorry, I didn't mean to demote you prior to giving that up on June 1st.

We are going to end with an unreserved fund balance of approximately 28.1 million as Ms. Doyle went through, we have about 14.2 million of those dollars already allocated to one time uses in the '16/17 budget. I wouldn't be worried about the number being that high and with that, I will take any questions and that wasn't within a minute, Mr. Mayor, but I tried.

Mayor Lane: That's quite all right. It's very good. Well done and well covered. So thank you, Mr. Nichols.

City Treasurer Jeff Nichols: You're welcome.

Mayor Lane: At the present time, I see no questions of you. Obviously it was very comprehensive. So we are complete on the subject. And we are complete on our schedule. There's no additional public comment.

MAYOR AND COUNCIL ITEMS

[Time: 04:38:56]

Mayor Lane: No citizen petitions and no Mayor or council items. So I would -- oh, I'm sorry. It appeared and disappeared. Yes, Vice Mayor.

Vice Mayor Smith: I did want to make a motion to agendize a user action item. My motion is to direct staff to agendize for future presentation, discussion and possible directions to staff an analysis of the regulatory options that are available to the city that are in compliance with Arizona State law SB-1350. And that law provides that a city, town or a county not prohibit, restrict the use of or regulate vacation rentals or short-term rentals based on their classification, use or occupancy. And further directing staff to report to council regarding the application of the city's transient occupancy or bed tax to such rentals.

Councilwoman Littlefield: I will second that.

Mayor Lane: And that is a motion to agendize that very action. Yes, okay. We have a second on that. And would you like to speak toward it?

Councilwoman Littlefield: I think that this is something that we need to do and that it's a concern to a great many citizens. I think it's important. Thank you.

Mayor Lane: Thank you. And yes, I will add to that a little bit too the fact that we had provisions that we were able to put into this or on a couple of very important elements and one is not to allow -- well, to be able to regulate, number one and to be able to aggregate taxation. So it is something that I think is very important that we take advantage of it because it is a departure from what we currently have. Certainly we know it's going on, but it's -- it's out there in mass but we don't have any taxing authority, nor do we have any regulatory authority. And we don't have any prohibitions. And you may know that we had a prohibition on the sober houses to be eliminated from this category. So an important element. So -- so very good.

We are in the midst of voting. A couple have registered in. If you are in favor, register by aye and if you are not in favor, nay. Aye. I think we have an easy unanimous on that.

[Time: 04:41:31]

Mayor Lane: Very good. Oh, all right. I'm sorry. We got one more. Yes, go ahead.

Councilman Phillips: Mayor, council item, and sorry for this, but it's the only other time we can do it and then we have two weeks off. I would like to move to direct the city manager to vendor view the city's contract with the DDCS as it pertains to public outreach and come back to council with a recommendation whether or not the DDCS contract includes in it public outreach, comments including size, scope and alternative sites.

Councilwoman Littlefield: I will second that.

Mayor Lane: The motion has been made and seconded. Any further comment on it? Then all in favor, please indicate by aye. Those opposed with a nay. Motion fails 5-2, with Councilwoman Littlefield and Councilman Phillips supporting it.

ADJOURNMENT

[Time: 04:42:23]

Mayor Lane: That does now complete our actions for tonight. The motion to adjourn and seconded. All those in favor of adjournment, please indicate by aye. We are adjourned.