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#### **CALL TO ORDER**

[Time: 00:00:08]

Mayor Lane: I would like to call to order the April 24<sup>th</sup>, 2018 City Council meeting.

This is a Regular Meeting.

#### **ROLL CALL**

[Time: 00:00:13]

Mayor Lane: We will start with a Roll Call, please.

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Virginia Korte.

Vice Mayor Korte: Here.

Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

Carolyn Jagger: David Smith.

Councilman Smith: Here.

Carolyn Jagger: City Manager Jim Thompson.

Jim Thompson: Here.

Carolyn Jagger: City Attorney Bruce Washburn.

Bruce Washburn: Here.

Carolyn Jagger: City Treasurer Jeff Nichols.

Jeff Nichols: Here.

Carolyn Jagger: City Auditor Sharron Walker.

Sharron Walker: Here.

Carolyn Jagger: And the Clerk is present.

[Time: 00:00:36]

Mayor Lane: Thank you. Just some items of business to cover and that is if you would like to speak on any item or for public testimony, we have a white card that's being held up over the head of the city clerk, Carolyn Jagger. If you would like to make some verbal remarks, any comments on it. And on the other hand, we have a yellow card for written remarks on any of the agenda items that we will

read during the proceedings. And we have Scottsdale police officers Jason Glenn and Tony Wells here directly in front of me, if you have need of their assistance. And the areas behind the Council are reserved for the Council and for staff. And there are restrooms over here on my left, under that exit sign for your convenience.

**PLEDGE OF ALLEGIANCE**

[Time: 00:01:27]

Mayor Lane: I'm wondering, the Pledge of Allegiance this afternoon was to be done by the, oh, okay. In hiding. I'm sorry. We normally have you placed right up front here. But I was, actually, I got tricked one time. They were sitting right down here. But anyway, they are here to lead us in the pledge and if you can, please stand. Ladies, whenever you are ready.

Brownie Troop No. 1380: I pledge allegiance to the flag of the United States of America, and to the republic for which it stands: One nation under God, indivisible, with liberty and justice for all.

Mayor Lane: Thank you. And if you would, we can face the audience and introduce yourself, tell us where you go to school and what your favorite subject is.

Brownie Troop No. 1380: I'm Ellie Doll and my favorite subject in school at Phoenix Country Day School is swimming and diving. Hi, I'm Julie Anna Crisolli and I go to Phoenix Country Day School and my favorite subject is art. My name is Brook Vella, I go to Phoenix Country Day School and my favorite subject is Spanish. Hi, my name is Tar Defori and I go to Phoenix Country Day School and my favorite subjects are art and technology. Hello, my name is Madeline and I go to Phoenix Country Day School and two of my favorite subjects are art and technology. We would like to thank you, Council, and Mr. Mayor, for allowing us here today.

Mayor Lane: You are very welcome. Thank you. Nicely done. Thank you.

**MAYOR'S REPORT**

[Time: 00:03:27]

Mayor Lane: We, as part of the Mayor's report, I have some folks representing our small businesses here, who are here with us today to accept the proclamation, and we have Cavita from Roseanne Consultants and Pam from Pro One Media, and, I'm sorry, Pro One Media Productions and Josh Utterback from the city's Economic Development team. If you could, please come forward and let me, from here, we'll take a picture but I want to read this proclamation. If you can come forward.

Whereas America's progress has been driven by pioneers who think big, take risks and work hard, and Scottsdale is no different; whereas from the store front shops that anchor Main Street to the high tech start-ups that keep America on the cutting edge, small businesses are back bone of our economy and the cornerstone of our nation's promise; and whereas, small business owners have energy and have

passion for what they do; and whereas, when we support small business, jobs are created and Scottsdale preserves our unique culture; and whereas, because this country's small businesses create nearly two out of every three jobs in this country, we cannot resolve, we cannot resolve ourselves to create jobs and spur economic growth without discussing ways to support our entrepreneurs; and whereas, the president of the United States has proclaimed national small business week every year since 1963 to highlight the program and services available to entrepreneurs through the U.S. Small Business Administration and other government agencies; and whereas, Scottsdale supports and joins in the national effort to help America's small businesses do what they do best, grow their businesses, create jobs and ensure that our communities remain as vibrant tomorrow as they are today. I therefore, Jim Lane Mayor of the city of Scottsdale do hereby proclaim April 29<sup>th</sup> through May 5<sup>th</sup>, 2018, as national small business week. We'll make that presentation, but, please.

### **INVOCATION**

Mayor Lane: We do have Pastor Ethan Clark here from the Scottsdale Bible church to give us an invocation.

[Time: 00:06:54 ]

Pastor Ethan Clark: Mr. Mayor and Council, thank you for allowing me to be here today and bless this procession. If everyone would just bow their heads with me. Heavenly Father, I thank you for today. I thank you. You have made this day that we get to live in this beautiful city of Scottsdale and enjoy the sunshine and spring weather. I do ask a special blessing on the Mayor and the Council as they seek to move forward with wisdom and discernment in all the decisions that they make and their positions they seek. I also pray over everyone that will speak tonight, that you give them just a calmness and thoroughness so they can be represented fairly and thoroughly. And so God, I just thank you for this opportunity. For all these things in Christ Jesus' name, amen.

Mayor Lane: Amen. Thank you, Pastor.

### **PRESENTATIONS/INFORMATION UPDATES**

[Time: 00:07:54]

Mayor Lane: Next order of business, we have a presentation. We have the Mayor's employment committee scholarship awards and I would like to invite Sharon Cini up to the podium.

Diversity Manager Sharon Cini: Honorable Mayor and City Council, members of the audience, good evening. Good evening, everyone. On behalf of the Mayor's Committee on Employment of People with Disabilities, and the city of Scottsdale, tonight, we are honored to present seven local students, postsecondary education scholarships. This year, we celebrate 33 years of providing support to students which foster enthusiasm and self-determination. It takes a lot of perseverance to prepare for a successful career in their chosen field.

My name is Sharon Cini and I'm the program manager for the city's office of diversity inclusion. I'm one of the several members on this committee, including Mayor Lane, Chief of Staff Rachel Smetana, Management Assistant Kelly Kuester, Executive Assistant to the Mayor Isol Morales, and Human Services Director Greg Bestgen. We also had one local community member, Taylor Buttery. Taylor is with us in the audience today. As an active citizen, Taylor raised an additional \$419.36 for the awards created by a go fund me account and we want to thank him today and those individuals would made direct donations to this important cause. Thank you, Taylor.

And we couldn't provide these scholarships without our historically supportive local businesses, and those donations as well as the grant funding from the Gila River Indian community. We wish to thank you for your continued generosity as well. Thank you. And after receiving 21 applications, the largest applications received ever, this committee has selected seven students. This year, each scholar will receive \$1,500 as a scholarship to attend their selected school.

Mayor Lane, please join us here up front and as I call each recipient name, please step forward to take a photo and receive your certificate by Kelly Kuester. When I call your name, go ahead and come on up. Okay. The first student, Sam Atchison, who will be attending Arizona State University. DeSonny Almares. Attending Scottsdale Community College. I don't believe she's here tonight but I wanted to make sure we announce her name. Next student, Basna Baral, attending Scottsdale Community College. Okay. Next student, Anthony Houey attending Scottsdale Community College. We would like to support him with this scholarship. Next student, Yasmin Seraff who will be attending A.S.U.'s Barrett Honors College. Okay. Next student, McKenzie Tiffany who will be attending Maricosa SoCal. And our last student, Joshua via Pondo who is maybe not here in attendance. Joshua, are you here? Okay. I didn't think. Congratulations to Joshua as well. Okay.

On behalf of the Mayor's Committee on Employment of People with Disabilities and the city of Scottsdale, we would like to especially thank those individuals with disabilities who have given everyone in our community outstanding examples of courage and perseverance. Tonight we wish these scholars continued success in their education and reaching their future career ambitions. Thank you so much and the best of luck in your upcoming year.

Mayor Lane: Thank you, Sharon and congratulations to all the recipients.

#### **PUBLIC COMMENT**

[Time: 00:13:06]

Mayor Lane: It doesn't appear that we have any public comment cards, but we do have a period of time that's reserved for citizens' comments regarding non-agendized items with no official action to be taken on these items. And they are limited, of course to items within the jurisdiction of the City Council. But since we have no cards, is that correct? Okay.

#### **CONSENT AGENDA**

[Time: 00:13:30]

Mayor Lane: We'll move on to the next order of business which is our Consent Agenda Items 1 through 17. I see no cards to request to speak on any of those items and no items of requests. I do have at least a motion or a comment from Vice Mayor Korte.

Vice Mayor Korte: Thank you, Mayor. I would like to move to accept Consent Agenda Items 1 through 17.

Councilwoman Littlefield: I second that.

Mayor Lane: The motion has been made and seconded. No further comments seem necessary. So we then are ready then to vote. All those in favor of the Consent items as so moved, please register your vote. Aye. If you were here for the Consent items, you are certainly welcome to stay otherwise, please leave quietly.

#### **REGULAR AGENDA**

[Time: 00:14:32]

Mayor Lane: Moving on to the Regular Agenda Items and 18 through 21. And the first one is the Indemnification of the Mayor, Councilmembers, City Manager, City Clerk, City Treasurer and City Attorney in Save Our Preserve political action committee vs. the city of Scottsdale. Mr. Washburn, if you could make the necessary notification.

City Attorney Bruce Washburn: Thank you, Mayor. Yes, this is the, these resolutions are for the defense and the indemnification of the Councilmembers and the charter officers in the lawsuit recently filed against the city and those parties and I just want to make of the record now that each Councilmember will have a conflict and therefore, when their resolution comes to be voted on, that Councilmember, having to record the conflict, they will then recuse themselves and leave the room while the vote is taken on their resolution affecting them. And Mayor, obviously, you will need to do each resolution separately and you need to start by turning, and you need to start by turning the meeting over to the Vice Mayor since you are the first one.

Mayor Lane: I will remove myself and turn it over to Vice Mayor Korte.

[Time: 00:14:35]

Vice Mayor Korte: Thank you, Mayor. So the following resolutions must be adopted one at a time. And so the chair will entertain a motion for the first resolution.

Councilwoman Milhaven: Vice Mayor, I make a motion to approve Resolution 11101, authorizing the city to defend and indemnify Mayor W.J. Jim Lane.

Councilman Phillips: Second.

Vice Mayor Korte: It's moved and seconded. Any discussion? All in favor? And that passes 6-0. Thank you. Please note that the Mayor had recused himself, and now I turn the meeting back to the Mayor for the following resolutions.

Mayor Lane: Thank you, Vice Mayor. And the next Councilperson is Councilman Guy Phillips who has removed himself from the dais. And so we are prepared to accept a resolution, or a motion to accept Resolution Number 11102.

Vice Mayor Korte: Mayor, I move to accept Resolution Number 11102.

Mayor Lane: The motion has been made.

Councilman Smith: Second.

[Time: 00:16:58]

Mayor Lane: Seconded, I believe, by Councilman Smith. And so then we are then ready to vote. All of those in favor of the motion, please indicate by aye and register your vote. Those opposed otherwise. The motion passes 6-0. You can have Councilman Phillips return. And we'll move on to the next resolution. That would be 11103, Councilwoman Kathy Littlefield has removed herself from the dais and Councilman Phillips has returned. I would accept a motion on that resolution.

Vice Mayor Korte: So moved.

Councilman Smith: Second.

Mayor Lane: The motion has been made and seconded. And we are then ready to vote. All of those in favor, please indicate by aye. Those opposed with a nay. Aye. The motion passes 6-0. Move on to the next resolution, which is 11104, and this would be with regard to the defense and indemnification of Councilwoman Suzanne Klapp who has removed herself from the dais and Councilwoman Littlefield has returned. I would accept the motion on that resolution.

Councilman Phillips: So moved.

Vice Mayor Korte: Second.

Mayor Lane: The motion has been made by Councilman Phillips and seconded, I believe, by the Vice Mayor. And we are then ready to vote. All those in favor, please indicate by aye. Those opposed with a nay. Aye. The motion passes 6-0. Councilwoman Suzanne Klapp can return. And next one, 11105, is relative to Councilwoman Linda Milhaven, who has removed herself from the dais. We are ready to accept a motion on that resolution.

Vice Mayor Korte: So moved.

Councilwoman Littlefield: Second.

Councilman Smith: Second.

Mayor Lane: The motion has been made and seconded by Councilwoman Littlefield. And so we move on to the next Resolution, which is....

Councilmember Korte: No, we have to vote.

Mayor Lane: I'm sorry. Thank you very much. All those in favor, please indicate by aye and register your vote. It's 6-0. That motion passes unanimously. Moving ahead then to the next Resolution which is 11106, and it would involve the Vice Mayor Virginia Korte who has removed herself from the dais and Councilwoman Milhaven has returned. I'm ready to accept a motion.

Councilman Phillips: So moved.

Councilman Smith: Second.

[Time: 00:19:31]

Mayor Lane: Motion has been made by Councilman Phillips and seconded by Councilman Smith. We are now ready to vote. All those in favor, indicate by aye. Register your vote. It's affirmative and unanimous, 6-0. So moving on to the next item, we can have the return of the Vice Mayor, Virginia Korte as she's returning to the dais. And the next Resolution, 11107, involves Councilman David Smith, who has removed himself from the dais. So I'm now ready to accept a motion on that resolution.

Councilman Phillips: So moved.

Councilwoman Littlefield: Second.

Mayor Lane: The motion has been made by Councilman Phillips and seconded by Councilwoman Littlefield. We are then ready to vote. All those in favor, please indicate by aye, and register your vote. That motion passes, 6-0. And that completed that item. It's unanimous. So we move on to the next item which is not....

City Clerk Jagger: Your Honor?

Assistant City Attorney Sherry Scott: Mayor.

Mayor Lane: We move on to the next item which is resolution.... I'm sorry. Who was that?



Sherry Scott: I'm sorry, Mayor, I believe I interrupted you prematurely. Are you moving on then to the final resolution?

Mayor Lane: Yes.

Sherry Scott: 11108?

Mayor Lane: Yes.

Sherry Scott: Thank you. And let the record reflect that Bruce Washburn has stepped away because he has a conflict on this item.

Mayor Lane: Very good. Yes. Okay. So we will leave it at that. So Resolution Number 11108, authorizing the city to defend and indemnify City Manager Jim Thompson, city clerk Carolyn Jagger, city treasurer Jeff Nichols and city attorney Bruce Washburn and let the record reflect that the city attorney has removed himself, even though he's not a voting member the Council. So with that, and the City Manager also has. I don't know whether it's required action or not. So just for the record, the City Manager has also removed himself. But in any case, we are now ready to vote. All those in favor of that motion, 11108, please.... oh, I'm sorry.

Vice Mayor Korte: I don't think the motion was ever made. So moved.

Mayor Lane: Motion made by the Vice Mayor.

Councilman Smith: Second.

Mayor Lane: We are now ready to vote. All those in favor, please indicate by aye. Register your vote. And that's unanimous with 7-0 as all Councilmembers are here and that completes that item on our agenda. All of those members who excused themselves, they can return. And that completes Item 18.

**ITEM 19 - PUBLIC HEARING ON THE FISCAL YEAR 2018/19 ANNUAL ACTION PLAN AND THE ALLOCATION OF FEDERAL COMMUNITY DEVELOPMENT BLOCK GRANT AND HOME INVESTMENT PARTNERSHIP FUNDS**

[Time: 00:22:27]

Mayor Lane: So we do have our next item, moving right along to our Item 19, which is a Public Hearing on the Fiscal Year 2018-19 Annual Action Plan and the Allocation of Federal Community Development Block Grant and HOME Investment Partnership Funds. We have Michelle Albanese, Community Assistance Manager. Welcome, Michelle.

[Time: 00:22:52]

Community Assistance Manager Michelle Albanese: Good evening Mayor Lane, members of the City Council, thank you for having me this evening. The purpose of tonight's public hearing is to seek approval for the fiscal year 2018/2019 annual action plan for the Community Development Block Grant and HOME Investment Partnership programs. The city of Scottsdale has participated in the CDBG program for the past 43 years. CDBG is a federal program which is administered by the U.S. Department of Housing and Urban Development, and funds are awarded on a noncompetitive basis to communities with populations greater than 50,000. Activities funded must meet one of the three national objectives, which include benefit to low and moderate income persons, prevention or elimination of slum and blight, and meeting an urgent community need. A maximum of 15% of funds can be utilized for public service activities and 20% for planning and administrative activities.

The city has also participated in the HOME program for the past 22 years. HOME funds may be used to support decent housing and to increase home ownership opportunities to low and moderate income residents. HOME funds are available from HUD through the participation in the Maricopa County HOME consortium. Other members of the consortium include the cities of Tempe, Chandler, Gilbert, Avondale, Glendale and Surprise. As a condition of the receiving CDBG funds, recipients are required to develop a plan every five years which assesses the needs of the community. Annually, HUD requires that cities submit an annual action plan, which will identify the specific plan uses of the federal funds for that particular year, which are based on the priorities identified in the five-year consolidated plan. As part of the process, the city is required to hold public hearings and seek public participation.

[Time: 00:25:05]

On March 8<sup>th</sup>, and March 22<sup>nd</sup>, agencies reflecting funding had the opportunity to address the Human Services Commission during their informal and formal funding recommendations. The commission's final funding recommendation from the March 22<sup>nd</sup> meeting are outlined in the annual action plan, and will be presented tonight for your approval. From fiscal year 2015, to 2017, the CDBG allocation has increased a total of \$36,299. The anticipated allocation for this upcoming fiscal year '18/19 is level funding from last fiscal year in the amount of \$936,778. Also from 2015 to 2017, the HOME allocation has increased a total of \$282. The anticipated allocation for fiscal year '18/19 is level funding from last year, which is \$219,039. CDBG funding recommendations for eligible programs and services for fiscal year '18/19, totals \$1,105,485.

Of that \$778,100 is recommended for public service activities, housing and facility improvement activities. \$221,097 will be allocated to the city's Community Assistance Office for planning and administration of the CDBG program. Remaining unprogrammed CDBG funds in the amount of \$106,288 may be awarded to either existing eligible activities and projects in fiscal year '18/19, or reprogrammed in the next year's funding cycle. HOME funding recommendations for eligible activities totaled 219,039 of which \$205,349 is recommended for housing acquisition and rehabilitation for transitional housing and \$13,690 is allocated to the city's Community Assistance Office for administration of the HOME program. The Human Services Commission reviewed a total of 15 proposals from agencies requesting over \$1.2 million in CDBG and HOME funds.

The Human Services Commission recommends funding 12 CDBG and HOME activities. The commission's recommendations include funding six public service activities, which include youth, domestic violence victims, seniors, disabilities and homeless individuals. Three housing Rehabilitation Activities which include the Housing Rehabilitation Emergency Repair and Roof Repair Program and one facility improvement activity with CDBG funds. One proposal requesting HOME funds was received, and the commission recommends funding the acquisition and rehabilitation a single family housing to be utilized as transitional housing. The commission's recommendations will provide funding to eight different agencies for 12 activities providing assistance to approximately 4900 Scottsdale residents.

HOME funding in the amount of \$205,349 is recommended for housing acquisition and rehabilitation and \$13,690 is allocated to the community assistance office. The Human Services Commission and staff respectfully request the City Council adoption of Resolution Number 11052 approving the annual action plan for fiscal year 2018/19. HUD requires approval of the Annual Action Plan for the city of Scottsdale to receive the CDBG and HOME funding. Upon approval and adoption of this resolution, staff will continue to operate the CDBG and HOME programs in compliance with federal regulations and will negotiate contracts with those agencies that were awarded funding effective July 1<sup>st</sup>, 2018. And I would be happy to entertain any questions you may have.

[Time: 00:29:32]

Mayor Lane: Thank you, Michelle. I don't know that I see any questions on it at this point in time. We'll start then, well, you can start or have a motion by Vice Mayor Korte.

Vice Mayor Korte: Thank you, Mayor. I move to adopt Resolution Number 11052.

Councilman Smith: Second.

Mayor Lane: Motion has been made by the Vice Mayor and seconded by Councilman Smith. Any comment from Councilman Smith?

Councilman Smith: No, Mayor.

Mayor Lane: Okay. I'm sorry. Mr. Washburn.

City Attorney Washburn: Yes, Mayor. I just wanted to note for the record that this is also the time and place for the public hearing, and that there's been no public comment requested.

Mayor Lane: Okay. Noted open the record, just as you have indicated then. Thank you. All right. Then I think we are ready to vote. All those in favor, please indicate by aye and register your vote. It's unanimous, 7-0. Thank you very much.

Michelle Albanese: Thank you very much, Mayor and Council.

**ITEM 20 - CITYWIDE EMPLOYEE CLASSIFICATION AND COMPENSATION STUDY**

Mayor Lane: Moving on to the next couple, Item 20, the citywide employee classification and compensation study. And we have Donna Brown at the podium to give us the details on this.

[Time: 00:30:59]

Human Resources Director Donna Brown: Honorable Mayor and members of the City Council, good evening. Based on the City Manager's recommendation and the City Council's approval to fund a citywide job classification and employed conservation study in July of 2017, there was an employee committee formed to start this process. The classification of compensation committee included representatives from Planning And Development, Water Resources, Police, Fire, Community Services, Public Works, Information Technology, Payroll, Budget and Human Resources. Representatives brought their unique perspectives with common goals of establishing a consistent, equitable and sustainable compensation program for all city employees. This committee was instrumental in writing the request for proposal which went to open bid in September of 2017.

Public Sector Personnel Consultants was unanimously chosen and started work in December of 2017. After meeting with the committee, and city management, they are now ready to present their findings and recommendations to you this evening. After their presentation and your questions, we will ask for your acceptance of this study and the associated recommendations. Mayors and members of the City Council, I present to you, Matt Weatherly, with Public Sector Personnel Consultants.

[Time: 00:32:24]

Public Sector Personnel Consultants President Matt Weatherly: I appreciate the opportunity to be with you this evening.

Mayor Lane: Good evening, Matt. Could you give me your last name?

Matt Weatherly: Sure. Weatherly. Yeah. Thank you so much. We have prepared some slides that will kind of guide a little bit of the discussion, but I will move fairly quickly through the majority of these. Certainly anywhere you want to spend a little bit more time or questions that I can help clarify, we will accept to do that. The RFP spelled out the project's scope that we were able to respond to. We reviewed all of the job titles and job descriptions throughout the city. Obviously the city has a very robust and whole, you know, list and complement of offerings as far as services. There's 500 different job descriptions in the system to cover the diverse services that the city provides. Our scope was to conduct a salary survey, as well as a little bit of a benefit survey up against local cities, comparing really probably 90% of our work is a paper exercise where we are comparing pay plans and comparing job descriptions. So I will touch on that and have some examples on that.

What we have proposed and presented here as well and is enclosed in your packet is a proposed compensation plan, recommended pay ranges for all jobs that line up with market averages, that

represent the average of these comparable cities job by job. We have implementation plans as well as some costing scenarios that are spelled out here at the end of our presentation and then, any other questions that you may, you know, have and what we really want to kind of work towards is the other 10%. So 90% of what we did is a paper exercise. The remaining 10% is the people exercise.

Where are we? Where do we want to be are the two big questions that we want to try to answer through this study. The classification review, looking at job descriptions about 450 of the titles remain unchanged. We did a little bit of merging, really to ensure equal pay for equal work. So areas where job descriptions were common enough that they could be combined to ensure that employees are compensated on the same pay range and the same job description and some title modifications based open nature and the work that's performed. Certainly it's been a while since something like this has been done citywide. It was an opportunity to review and update job titles as necessary.

The salary survey scope, really the RFP, there's a little bit of history to these nine agencies as well that historically the city of Scottsdale has aimed to keep up with the nine, you know, biggest competing cities in the valley. Paper exercise, like I said we collected over 6,000 job descriptions. We collected salary plans and benefits and data so we can make comparisons job by job by job. And I have a couple of examples in the PowerPoint slide deck coming up. Two bullet points at the bottom, I think guide why you do something like this, when you do something like this, and the now what part of doing something like this.

[Time: 00:35:20]

Salary surveys are really kind of designed to answer the two biggies here. Where are we? How do we compare? How do we stack up? Are we competitive? Are we behind for some jobs? Are we in good shape for other jobs? We want to answer that question. As well as the where do we want to be? A little bit more of a philosophical conversation. A strategic one. Maybe almost a value statement kind of conversation surrounding, you know, employee compensation and benefits. A couple of examples of what our work looks like.

So we surveyed about 220 or more different jobs. This is an example that the city of Scottsdale has. The upper left-hand corner Customer Service Representative, almost all of the nine cities have a comparable position. Remember, I said, it's a paper exercise. All of these agencies have a pay range for most of their jobs, a minimum and maximum. What we're representing on this example; minimum, plus maximum, divided by two. It does vary from agency to agency, meaning some are more narrow from Min to max and some are open range with a midpoint or a control point, and others might even have a step system where moving from step one to step nine or step ten or something like that and some agencies even have different structures for civilian versus police and fire.

What this shows us is your current midpoint. So that \$39,343 on that top line is your current midpoint of your structure. That mean there's an entry point that's lower and a top out that's higher. When I look at that same job description in other cities and compare the average midpoint, this is an example of a job that's falling behind market. So on paper, our current midpoint has fallen below

market average by 7, almost 8%. Now, what we anticipate is some movement, right, for '18/19. So we have taken that into account when we go to design our plan here going forward. All but one city had a match. This is simple averaging, comparing the pay structure. We do this over and over in an effort to try and answer that first question of where are we and how do we compare.

So a couple of other examples, Treatment Plant Operator Two, not everybody is in the treatment plant business but enough of the cities to call this a comparable benchmark job. Another example where we are starting to fall behind market. Agencies are paying a little bit more. This is a job, obviously, with a lot of skilled certifications required for the positions. I want to be careful about what we are doing with our water, with our wastewater. So the market tends to move at different rates, even for different jobs. So what you will find when we survey 200 plus jobs, is that some jobs have fallen behind, others have not. Some jobs have fallen behind more than others. So you will see kind of almost a job by job type of analysis here that was done. And I will have some high level findings here pretty soon.

[Time: 00:38:17]

Another example, Senior Planner. A little bit closer to market. Every agency reported job description duties, the market average 78. So falling a little bit behind market on paper. I.T. position, almost everybody had a comparable position for the Security Engineer. Some of these duties get buried down in job descriptions. So you have to read through those and look for job duties. An example of a position that if I use plus or minus 3% for the cutoff, this position just makes the grade, right? It's pretty close to market but it's getting close. It has 5% between every pay range. So about 2.5, 3% if a position falls below market by 3%, it's going to kind of trigger a conversation about should it move up a pay grade? Should it go up a range? So that when we redo the placement, we are back within a market average here.

High level, again over 200 jobs were surveyed. What we looked at was, again, a paper exercise to start with, just comparing the pay ranges. It breaks down to about a 50/50 split. I mentioned if we use plus or minus 3% to define competitive, about 48% of the positions fall more than 3% behind market. That's a pretty salient finding. That's a pretty significant finding, about half the positions are going to, you know, parent a little bit of review, as far as pay range placement to get them back into, you know, market average. About 50% are within 3% or ahead of market.

So a small percentage, 10% of the jobs that fall 3% or more above market. So that's not add bad thing but the goal is to be as consistent we can. We characterize your overall market position to be 94, 95% of market, instead of right at market average. That means that some positions are tugging that average down a little bit. And we have some connections that will be proposed as far as the pay ranges go. We did also collect some targeted benefits information. I think driven in part by some recent recruitment experiences, identifying what paid time off options, whether we offer changes for executive and management employees, especially to attract managers and directors from other cities where they come three or four weeks on paid time off. Do they start over at one week paid off or do they have to wait six months for any paid time off.

We looked at time off, and bilingual pay and shift differentials and certification pay across utilities and Public Safety, where there's specialized certifications required. Our high-level findings are these last two bullet points. The average paid holidays you are about a day or so off. That second piece of that sentence there, there's some flexibility in terms of paid time off for new or incoming managers and executives, having some flexibility when you go to recruit somebody with experience from another city, I think is important.

The other last bullet point here was a separate item in your Council action report. We surveyed the charter positions. Your current charter positions do not have a pay plan. They do not have a pay range. They have a flat rate of pay. And when we looked in other agencies, there's an awful lot of other add pays that are being provided for those comparable positions in these other cities, deferred compensation is a big one. Auto allowance, cell phone allowance, all very common among the comparator cities, as well as in some instances pay ranges for those jobs. So I will talk about that in a second as well. What we designed is an updated pay table. Structurally, very, very similar to your current pay plan and pay table, for most positions. About a 45% range spread from minimum to maximum. 5% between each pay range. So each pay range grows by 5%.

[Time: 00:42:34]

What is, I think, notable here is a couple of things. Whether we went through the exercise of placing jobs on to a pay range based on market averages, we also look at the opportunity to create one structure for all jobs. Currently Police and Fire are on a different pay table. Charter officers are not on a pay table at all. Our proposed plan has all positions across the city on a consolidated pay table, similar pay range for all positions, from minimum to maximum. Same kind of structural ideas here for consistency so we can get our head around career ladders and reporting relationships. So that's probably the most salient difference.

When I look at the proposed pay ranges from current to proposed, again we took into account any anticipated market growth or inflation for 2019. We placed all jobs on to a pay grade based on the average midpoints we found in the market, as well as anything that might make sense for internal equity and for career ladder opportunities. So all jobs have been placed on to this pay table. If I represent the overall movement of the pay table, I can do so in dollars and cents. The average is just about 4% when I look at current ranges to proposed ranges.

Two-thirds of the positions that only need to move about 2.9%. So kind of at market aging, give or take. There are a third of positions that need to move more than that 3%. The overall fiscal impact for the first year anticipates making this a full market correction. So what I mean by that, if my pay range moves 3%, I receive 3%. Okay? That's separate from the merit pool, but this is the way to fully implement a market correction. If a pay range needs to move 6%, you know, I would receive 6%. So that's all baked into this math that will be, I think part of your budget consideration down the path.

It's not an insignificant number. We are talking, you know, \$6 million here for year one, to make that correction. What that does is put you at the average of the market. It did not in year one put you

at 105% of market. But combined, our recommendation and staff recommendation is over a three-year period to move to a position to maintain and/or gain a little bit now on the market. If we went back to any of those examples, where there's nine cities listed for a comparable job, right now, your pay plan tends to fall about fifth or sixth out of those nine or ten cities. The \$6 million number gets you back into the middle of that list, right? So it doesn't strive to be in the top third like maybe a Tempe, or it doesn't come back with 20% increases like we saw out of some of the west valley cities and some significant pay adjustments between 2013 and 2018. But what it does is it puts you back in the middle, right? So aiming for market average, really 100% of market for year one as well as an anticipated intent to move to something greater than market over a multiple year plan.

[Time: 00:45:56]

Mayor Lane: Excuse me, one second, Mr. Weatherly.

Matt Weatherly: Yes, sir. It's a good time to stop.

Mayor Lane: I'm glad for that. I have a question with what you just indicated, and that is that, if the, if the 6 million takes us to the midpoint, why do we have another 6 million following on that? On top of, and I'm presuming on top of what might occur in each of the years that follow which is now based upon a higher number to begin with.

Matt Weatherly: Yes. Yes. So this anticipates about a 2 or 2.5% annual growth in the market. And so the intent to have additional movement here for market correction is to try and gain ground on that. And here's the spot where the philosophical conversation occurs. The \$6 million gets you at average and that gets you at average for 2019. Where do we want to be in 2019? Where do we want to be in 2020, and 2021, so these \$2 million a year for each of the additional following years strives to gain on that and be above average. That 105% of average, instead of average.

Mayor Lane: So we are shooting to be in that top third as Tempe is or is that...

Matt Weatherly: Yeah, you would at least gain ground so that you are third or fourth on that list by 2021.

Mayor Lane: So we will be above the mean.

Matt Weatherly: Correct.

Mayor Lane: I didn't understand that to be the case what we were striving for. So we are talking about \$12.25 million if we include the added holiday time and everything is the cost of this.

Matt Weatherly: Mm-hmm.

Mayor Lane: Can I ask if, and I'm sure I can, but nevertheless, we have increases that are being affected on a number of people, if, in fact, they are below the range, they are automatically increased.



What about the 11% where they are above the range?

Matt Weatherly: Yeah. Yeah.

Mayor Lane: Are we reducing them? Does that mitigate some of this goal action?

Matt Weatherly: No, it does not. In the proposed plan, there will be nobody that will be topped out, you know, on year one. And so if there are current individuals that are topped out, I would defer, I guess to any current policy in place where if those employees remain merit eligible on a lump sum instead of adding it to base, but there are no proposed reductions to any of the pay ranges. We can certainly entertain that, if that's Council direction.

Mayor Lane: So do we have any idea what the quantification of that is, if that were to happen?

[Time: 00:48:30]

Matt Weatherly: No. And what I would have to analyze and I could very readily do it. I can't do it on the spot, but what I would have to look at is paper versus people. If that pay range is ahead the market, right, I don't know where the person is in that job. There may somebody instances where somebody has been in that job a long time and maybe they are close to your top, and if we back down that range, right, we are moving the goal post back this way, from that side of the dais. We are moving the pay range. That person is now going to be over the top of the range. Then we have that, you know, that freeze or hold or, yeah, conversation, I think as far as what to do with that individual. There may be other instances where I could pull the pay range down, but that's not going to affect anybody in the short term, because they are still within the range. They are not bumping up against the top.

Mayor Lane: I understand but I'm thinking about the first illustration that you gave, where you are talking about somebody, the range comes down to be adjusted to what the market would be, and they are outside that range. All you are saying is they are protected with what they....

Matt Weatherly: Correct.

Mayor Lane: With what they are being paid?

Matt Weatherly: I would think that we would propose that their current pay is protected. Administratively, this wouldn't be a burden to look at any pay raises that could be considered to be reduced. What I would look like, just like we scrutinized for the market data for those that are low and scrutinize those that are high. We want to stand, nope, we are ahead of the curve. You know, we have some jobs down here we need to take care of. We have some jobs up here, let's bring that so we are better positioned for all positions. So we can provide that for staff to review.

Mayor Lane: So leaving them where they are at....

Matt Weatherly: Mm-hmm.

Mayor Lane: Obviously increases our mean to maybe above even the 50% at 6 million add.

Matt Weatherly: Correct.

Mayor Lane: Who were above it already, and then the next \$6 million would bring us even further above it as they continue to be above the range at 11%.

Matt Weatherly: Right.

Mayor Lane: Again without a quantification of that, I don't know how much impact that is.

Matt Weatherly: Okay.

[Time: 00:50:32]

Mayor Lane: But I don't know that, and Council may have some further conversation on this, but nevertheless where we really want to be. Our understanding has been in the past that we are, we do look to be in the middle of that range. I mean, that's been defined on a mean basis rather than any kind of average or otherwise.

Matt Weatherly: Yep.

Mayor Lane: So it's a question, I suppose, as I look at the numbers of \$12 million plus, it's a pretty big price tag.

Matt Weatherly: It is.

Mayor Lane: And there's no relief in it. All the study has done is increase it on the overall.

Matt Weatherly: Correct.

Mayor Lane: The only place we go is up.

Matt Weatherly: Right.

Mayor Lane: If, in fact, we are doing a study that the own thing we can do is increase, and so the protection is there. Well, I may have some further comment on that. Yeah. Okay.

Matt Weatherly: I'm almost running out of slides which is why I said it was a good spot. Other questions?

Mayor Lane: Are you done or any other questions to this point?

Matt Weatherly: No, I am done.

Mayor Lane: Oh, very good.

Matt Weatherly: Staff has a few comments and I think another slide as well.

Mayor Lane: Okay, well, you mentioned, okay. I'm sorry we do have someone else. Councilman Phillips.

[Time: 00:51:55]

Councilman Phillips: Thank you, Mayor. So even if the Council went along with this, then in, you know, four years from now, who is to say that all of these other cities are going to raise their wages too and then you will come back in four years and say, well, you are below again and that's why we came up with another \$12 million that.

Matt Weatherly: That's why we have the three-year plan to anticipate some of that growth. It was interesting to study some of the five-year averages to look at 2013 to 2018, there are significant increases that occurred during that time. I will call it post-recession. Now we do this around the country for 40 or 50 cities a year in pockets, you know the national average is very close to what the local or regional average is. What fascinated me the most, I think, for Scottsdale and these nine other cities is that the west valley cities have grown between 14 and 17% in that five-year period.

Scottsdale hasn't grown that fast, at least on paper, right? So I will reserve the pay part or the people part for a minute, but on paper, many of our pay ranges have moved 3%, maybe 5% at the moment in that five-year span, compared to an average of 7 to 13% out in the market. So part of it is how did we get here. So half of the positions are surveying low. This catches you back up. This also anticipates any 2019 growth for the market. And then with the three-year plan, it would be very intentional to say, okay, we want to continue to at least keep up. So if anything is maybe even incorrect on my pricing slide, it's 105%. You may only be at 101%.

I get invited to meetings at MAG every once in a while where I see you, or Councilmembers from multiple cities. And it's this conversation, when will you stop? When will you stop? It's interesting reading through like some of the public safety MOUs that exist, and some of the cities very specifically say, hey, we gauge market every year and we want to be the 50<sup>th</sup> percentile or 75<sup>th</sup> percentile, whatever it is. So there is a little bit of a closed loop. I think ultimately what I don't want to have happen is these numbers, you know, box you into a corner, right? My goal would be to say philosophically where do we want to be? If we want to be on average, we know we need the \$6 million number to bring up everything into average.

Continue to do merit and move the salaries through the pay range but then it's realistic to assume a 2 to 2.5% growth for, you know, the following years, I guess for seeing anything running into the ditch economically and that's where look at budget on an annual basis when you start doing your budgeting

with your City Manager to say do we need the market correction? Do we know the merit connection? Or do we need both? You can lag or lead this process. We are getting close to all of these nine cities knowing what they will do for almost every April or May, you can say are you plugging something in for the budget. It's two columns. Are you planning to adjust your structure, which is the paper, it looks like steps or merit or general increase, but you combine those two and these nine cities create their own prevailing rate index where that average is 2.5 to 3% a year growth, you know, is going to be expected, I think for the next three years.

Councilman Phillips: Okay. So then I would like to ask staff and I'm sure they have seen this. Whether City Manager or City Treasurer, if these coming fiscal years, we are going to make this compensation or is it a struggle that the city will just not be able to afford?

[Time: 00:55:39]

City Manager Jim Thompson: Yes, I think we looked at the budget earlier. We have operational questions and concerns.] That would be my role because I feel this is the highest priority I have in front of me. So if that means that other operational costs are eliminated to afford to compensate our employees relevant to the market, I will do so in my budget presentation to the Council. This would be my number one priority is to take care of our 2800 employees.

If that means that other areas need to be reduced or adds, for example, this year, I had close to 40 requests for personnel. I eliminated that down to a small number of which included six firefighters that we previously approved. I will do so in future years. I have done that the last two years of my presence. I truly believe for us to stay competitive and to have the employees that we have and do a wonderful job, it's imperative that we at least compensate them relative to the market. Again, the number of \$6 million in the first year and when with you look out into the out years, over three, almost four-year period of time, we are talking 12. Our current budget is well over \$120 million for our payroll costs.

And so, again, when we look at it as a percentage of growth or costs to do things to bring us into market conditions, I feel it's relative. If we look at the last multiple years, many of the employees who have been with us, in the 12, 13, 25 years of service. They max out in their benefits and range in that period of time. It's likely to say if you look at an hierarchical bell curve of an employee, that's the highest productivity period. They have the organizational understanding and other tools in their tool box from doing their job for such a long period of time. They are not awarded or have not been awarded any change in pay, because they were either maxed out in the range.

So, again because our market condition, we were behind on that side of the range. And so, behind on that side of the range. And so by adjusting, it allows them to be growth. They may not be eligible for the performance side of the equation, but at least on their classification side, they will see those opportunities to move to place them more in the appropriate condition in the marketplace. It looks at some of other issues. At least from my perspective, the budget that I will bring forward for Council's consideration will have this adequately funded and you will not feel that associated with any operational costs that I bring forward.

Councilman Phillips: Thank you.

Jim Thompson: You're welcome.

Mayor Lane: Mr. Thompson, on that very thing, you are talking about this entire number of \$12 million over the years that we are projected out. Does this include any of our normal or potential increases or is this the sum total of it to bring it, I assume there's some anticipated payments, not just to move the needle to adjust, but also does it count in what we might otherwise be planning on presenting as an increase across the board. In other words, maybe I should phrase this another way. Is there another number on top of this? Of pay considerations?

[Time: 00:59:28]

Jim Thompson: At this time, there is not, until we look at the market condition. Right now, basically at this point in time, we are looking at what we are looking at and we are looking at doing it over multiple years which will be additional costs less than the first year costs of the 2 million a year. I think as Matt said in his proposal, which just for the total number, our total payroll for the city is \$251 million a year and so we are looking at 2 million more to be able to meet this in the next few years. We will, as we progress down those three years look at market conditions to make sure that we are not falling behind.

The other thing that's very important is we have equalized the system for the entire city. So we don't have different systems within the city. We put everybody into the same classification category, and created some consistency with that. And have done so in acceptance of those that traditionally we may have had different systems for, and I think that's very important because it allows us to ensure that we don't have internal inequity existing as well. So, again, important change.

I believe right now, the number that we are looking at is in totality, close to \$13 million over that period of implementation time. I don't expect any major changes to that, based on Matt's expertise and methodology that he used. I don't think any expect any additional costs beyond that, but there might be some hit in the market that may be a downward hit in the market, like we have seen during the recession. Some cities took large pay reductions. They came back and made those up and then some. Some reduced staff, as the city of Scottsdale did as well. There were a few hundred being released from our staffing levels. So everybody took a hit in the recession. Many of them have given that back. So I don't know what the conditions of the market will be in the next few years but if they stay consistent from where we are today, I believe the numbers are adequate.

Mayor Lane: Number one, as far as the consistency of the categories throughout the city, outside the workforce, I think that's, that was, that's a positive result, certainly and I do very much appreciate that that's been settled, but the other is that we are still wondering is the \$6 million a sum total of the increases in compensation for the current year?

Jim Thompson: For the classification study, correct.

Mayor Lane: I'm now talking about any other considerations that, other than the increased holidays or vacation time changes.

Jim Thompson: Well, we would have to, if we are looking at total compensation, I would have to go back and look at those changes because we had changes around 7% change to the healthcare costs, some of which the city pays for, and some of which the employees pay for.

Mayor Lane: I'm talking about salary too. I'm not talking about total compensation. If our, in the General Fund, if I think I heard you right, it was \$120 million worth of salaries.

Jim Thompson: It's \$251 million, I stand corrected but that's for all salaries. I don't know which portion is General Fund.

Mayor Lane: Okay.

Jim Thompson: But it's 251 for all of our salaries.

Mayor Lane: From last year to the current year that we are in....

Jim Thompson: The study that is before you this evening and we are asking you to accept impacts you by \$6 million and then talking total compensation and I will have a discussion.

Mayor Lane: I'm not talking about total compensation. I'm talking about any other changes to the salary bases other than the \$6 million to get.....

[Time: 01:03:01]

Jim Thompson: We would have our previously prescribed performance evaluations that are potential for the employees. Not everybody gets them. Those that are maxed out in the range, obviously are not eligible and I would have to defer to the City Treasurer for any of those specific numbers.

Mayor Lane: So those would be on top of this then?

Jim Thompson: That is correct.

Mayor Lane: Do we have any idea, even a guesstimate as to what we are talking about on top of this rather significant adjustment to move these salaries up?

Jim Thompson: Give me a moment.

Mayor Lane: And what does it do to us as far as the mean, versus the third or the number one position in that?

Jim Thompson: That I can answer. The performance measures, we took those in consideration when the study was done is my understanding. So we were looking at both the 3% adjustments that would be eligible for those that are not maxed out in the range or nearing maxing out in their range, inclusive of the other adjustments that would be necessary. So what this tells us and I think that Mr. Weatherly presented out that many cities in the last few years were maybe averaging 7% or 6% increases. We were averaging 3%. And so we fell behind the market, obviously. Even if we go to a five, we may still find ourselves below market, but we believe by preparing ourselves for the additional 2, 2.5 adjustments in the next few years which brings us to the 13 million, it will catch us up and place us in a successful position in the market to be competitive. And so we are not trying to do this all in one year but we are trying to catch up over a few.

So the performance base and here's where some of the savings occur. We have the performance system and we have the classification system. We obviously fell behind in our classification system and our performance system may or may not hold but we had different performance systems being placed in the organization as we recognized. Different performance system was the same, but the value associated with that was different. We had a different public safety, sworn officers and we had maybe the civilian side of the equation. Ours was to place them in the system, the 3% maximum. Some are not eligible, again, because they are maxed out or nearing that max out. And then separately, to deal with the classification and move the classification ranges more in line with what the market condition is.

[Time: 01:05:27]

So, again, the amounts that were preloaded in the budget prior to having this available to us were 5% for police and fire, for those that were eligible and then 3% for all other employees that were eligible. Now, what we have done here is everybody is under a 3% plan, but we are also doing a market adjustment which means that anybody in the police and fire is still going to recognize at least a 5%. As noted by Matt, 2.4, 2.6, 2.9, depending on your position, and then on the other employees, some will be eligible for those that were maxed out and that 11, 12, 13 years with the city, will get probably, if their range moves, they will get that range adjustments associated with a 2% that wouldn't have gotten anything before and haven't got anything for many years because we haven't moved the ranges which is evident because we are behind. So, again, the incremental cost of all the work that Matt has done for us this evening is 6 million. And so, again, I know that our total cost of payroll is \$251 million. I don't know on the performance side how those numbers lie. I don't have that in front of me and I'm not sure that the city, yeah. He's waiting to see if we have those numbers available.

Mayor Lane: While he's working on that, I would just ask, you mentioned a 3%, plus a market adjustment 2% something or other. That 3% is what we normally, we are in some kind of a range on performance or merit, flight is that about....

Jim Thompson: That's correct. Based on the performance system.

Mayor Lane: Is that the current budget cycle. Is that another 3% on top of that?

Jim Thompson: No, it wouldn't be a full 3% on top of it for all the numbers but there was an outside number, associated with those that were eligible. The classification system this evening impacts all employees, because either their range moves or it isn't going to move, but it, it impacts all employees whereas the performance does not impact all employees because not employees are eligible.

Mayor Lane: I understand it. But the market adjustment, if I understood you correctly is 2.1, 2.2%, that market adjustment and that's given presumably those that are above the range, and those that are below the range and those that are right where they should be or otherwise, but there's a market adjustment. That's the 2 point something?

Jim Thompson: That's correct.

Mayor Lane: Does that make up the \$6 million?

Jim Thompson: That makes up \$6 million.

Mayor Lane: Okay. So the 3% is added. The market adjustment is represented by the \$6 million?

Jim Thompson: That is correct.

[Time: 01:08:11]

Mayor Lane: Okay. That's really what I was trying to find out, if there was something above that. So if I were to say that that's, the 6 million is strictly the market adjustment, and the 2 million each year is part of that market adjustment as well.

Jim Thompson: That is correct.

Mayor Lane: So each year inclusive of the budget year that we are talking about right now, there's another potentially, and I'm just using round numbers 3%, that will be added to that. So the total increase in compensation is going to be somewhere north of, of 6 million? And maybe another...

Jim Thompson: It will be north of 6 million but it's not the same percentage factor because all employees will be impacted by the market adjustment, not all employees. Since 25% of our employees are maxed out in the range and have been for some time. So that number will be substantially less as a percentage of the total impact on the 3%.

Mayor Lane: Thank you for that. Councilman Smith.

[Time: 01:09:16]

Councilman Smith: Thank you, Mayor. Well, first of all, I think this is a good study or a good result to end up with, or a good approach to compensation. What I mean by saying that is the idea of going to a limited number of range, as I think you had 46 total ranges tore the city. That's probably enough



ranges for any business enterprise or city government to have, and the idea that each range is 5% different than the one below it or above it, that's also good. In other words, there's some structure to the process rather than just randomly letting the ranges evolve over time. And I also think it's great to have a plan where everybody is on the same plan. And if I do understand correctly and I want to be sure I do, we won't have a step program anymore; is that true? I guess I'm asking the City Manager that.

Jim Thompson: Mayor, Councilman Smith, what we will have is a performance system.

Councilman Smith: Right.

Jim Thompson: A performance evaluation system and then we have a range associated where employees can fall within that. So not per se a step, because you could earn up to your 3% if you are eligible and possibly more if those that underperform don't earn the full 3%. Correction earlier, we put budget amounts, authorities for that. So it's not a guarantee of a longevity pay or step increase. You have to fall within that range for which we are moving the range.

Councilman Smith: In talking about that 3% for a minute, and it doesn't have anything to do with this program, but that's the performance pay that we talked about for doing for the coming year. If we give 3%, and I gather we still haven't figured out what that would amount to in the budget, is that true Mr. Nichols?

[Time: 01:11:01]

City Treasurer Jeff Nichols: Mr. Mayor, Councilman Smith, it amounts to approximately \$3.14 million.

Councilman Smith: In this coming budget?

Jeff Nichols: All funds in the coming budget.

Councilman Smith: Everything that we are talking about is all funds, right?

Jeff Nichols: That's correct.

Councilman Smith: And I guess the public needs to understand that. We are not just talking about the General Fund as we often do. It's the water company. It's everything. So I think to the Mayor's question before, he was trying to understand the size of this 3% performance base pay that we'll have and you are saying it's 3 point how much million?

Jeff Nichols: \$3.1.

Councilman Smith: \$3.1. So that 3.1, if you were to look at total compensation to the Mayor's question, it would be on top of the six because we are dealing with different things. One is a market adjustment and the other is a, the performance program pay.

Jim Thompson: Yes.

Councilman Smith: Thank you for the succinct answer. We call this performance pay. Again, I'm still talking about the 3% but it's more or less automatic if a person, if they haven't tapped out in the range, then most people get the 3%, isn't that true. I mean, there's not like a bell curve where some number of people get zero and some get half, and some people get three-quarters and some people get 100% of it?

Jim Thompson: Mr. Mayor, Councilman Smith, there are varying, and it varies by department, by division with the department, but the, the performance system is based on achieving goals. Those goals are so noted. There are some employees who don't meet that and don't get the full 3%. Although you are eligible for 39% because you haven't maxed out in your range, you may still not get that 3% if you did not perform to the level that was acceptable or exceeds in this case. So, again, we have some employees that fall in that and there are some who otherwise, but that's a very small number, and so, again, your thought of majority and many, you are correct.

Councilman Smith: And I suspected it was a small number. I have think problem we have gotten into over the years is without making market adjustments, we have inadvertently gotten into the habit of the performance adjustments coming almost a cost of living increase and becoming almost automatic. Hopefully, if we go to market adjustments, and keep current, we could then have a performance pay which is truly performance based and some people are winners, some are losers, I don't mean loser but some get the full amount and some get less and some get nothing.

With regard to the question of where we want to be, at this 105%, I think there was a decision made back in fiscal year '11/12 and it was troubling, I think. I wasn't on the Council then, but I know it was troubling to the Council at the time because this becomes, when you are surveying a set number of cities, and you decide you want to be 105% of whatever that group of cities are, if there's anybody else in that group that has a similar goal, they'll quickly become a little higher than you and then you will become a little here than them. And if everyone has a goal of becoming 105%, you are off to the moon. How do, and maybe this is to you, Matt. How do you deal with that sort of self-consuming or....

[Time: 01:15:40]

Matt Weatherly: Sure. We always wait for the line to be drawn somewhere in the sand. We do an awful lot of work in the D.F.W. area, for example, with 50 cities within that area. Phoenix metro has gotten to that point where there are cities big and small. I think what we observed in interacting with your staff and director was where and how far some of your employees are driving to come here or not. You know, looking at it from a philosophical standpoint, we look at what influences and our ability to recruit and our ability to retain. Staffing levels come into that performance expectations come into that. When the economy started to wake back up, in '13/14, you start to see hiring first and pay increases second. It's a little bit of a closed loop and it is a little bit of a challenge in as much as, you know, two things.

We only do this in the public sector because we can get the data. Everybody else knows what everybody else does. So I think that your philosophy wins to an extent. But I think it's an annual conversation saying, okay, have we reached where we want to be? Have others reacted to that, to the point where we don't want to keep one that? I think annually, it's appropriate to dust off as part of the budget conversation the question of where do we want to be. It had been some time, I think since the city had been able to answer the first question, where are we? Right? And we know right now, we are at maybe about 5% off of average. Right? So, you know, trying to get to average, you know, if that's the stated philosophy, then I think you revisit it.

You know, if the market continues to move, and you continue to move, even in these projected \$2 million a year movement, you are not going to be at 105%, I think you will be at 100%, you know? So I have seen some cities adopt a little bit more of a loose, you know, philosophy that says we want to be competitive. All right? That way you retain that policy discussion on an annual basis to say, all right, it's not a hard and fast, 103.7% market. You know? It can be, you know as broad as we wish to remain competitive. And paying near the mean or the average or the median of our comparison cities.

Certainly with the growth, and it hasn't happened for a while, but another city could pop up. It's not going to happen. I'm waiting for it to happen? San Tan Valley or something like that. Even the competitors, the comparator could change and move around a little bit. I think a philosophy, right, where you stayed and you have a very intentional value statement that you send to employees. I think it's a very critical first step. You know, to acknowledge and maybe even back away from, hey, we adopted or this Council adopted 105% philosophy and we are not there, to say, okay, we want to adopt a competitive pay plan. It could be as simple as that, so you have some room to avoid a little bit of the arms race but you see it in pockets. You have billboards up for police officers or hard fought to get dispatchers, for fill in blank, whatever job is hard to recruit or hard to retain. You can let that rain from a little bit broader of a policy statement, saying we wish to be competitive but then annually talk about what that means.

[Time: 01:19:03]

Councilman Smith: Well, I think expressing my preference, I would rather for us to say that we want to remain competitive than picking some number like 105, knowing that if we really strive to do that and somebody else does that, we are off to the moon. I can't help but observe, you know that I said that there was angst on the Council in 2011/12 when the 105 was adopted. The only reason that angst doesn't turn into reality is that we never looked at it again until now, wherever we are, 2018. So, but I would like for us to be looking at it more often and it's something that says we want to be competitive.

Matt Weatherly: Sure.

Councilman Smith: Next question, perhaps to you, Matt, the proverbial \$6 million that we are talking about, this first adjustment, how many, how many employees are we talking about will be affected by

this? Or what's the payroll of those employees? And for them, what's the percent increase?

Matt Weatherly: Yep. Just high level, there would be about 2400 to almost all employees would be affected, you know, pending, I guess the direction from the Mayor of looking at pay ranges that may need to be reduced. So if I'm an employee in a range who is over market, right, so, you know, we need to address, that I think as a question. But to give you an idea of what this means, for almost 2,000 of the employees, the average adjustment is about \$1.25 an hour. Okay? Market correction.

So about \$1,600 per person average soaks up \$3.3 million of my, you know, \$6 million number. So, you know, better than two-thirds or right around two-thirds of those employees would see an average of \$1,600 per employee. There are exceptions, right and that's the other one-third and those are the employees that are in jobs that were substantially below market. And so even in your old structure, for example, if we are talking about a little bit of aging to anticipate 2019 adjustments but then we are also talking about effectively pay range adjustments, market adjustments exceed. And then to a 2.9% average, it's about on 8% average. There are 640 employees that would be affected by being in a job that's more than 5% behind market or will move about 8% to catch back up to market or more. Those 643 employees receive an average of \$4,800 on an annual basis. So nearly triple, right? So two-thirds or better than two-thirds of the workforce will get a kind of general market correction of about 2.9%. One-third about 640 employees would get more than that.

[Time: 01:22:11]

Councilman Smith: What's the percent?

Matt Weatherly: So that's \$3 million of \$6 million. So about a third of the employees get half the money and about two-thirds get half the money. And it averages out to, you know, closer to that 8%, you know, number per person.

Councilman Smith: Well, I guess this is what happens when you don't, when you only look at this situation every seven years or so. Let me ask you another question on the \$6 million. The package that we were given to review, says the \$6 million was the estimated cost of this first adjustment. But to that would have to be added fringes.

Matt Weatherly: Mm-hmm.

Councilman Smith: Is that, what do we know about the fringe cost of this? In other words, some things around here are compensation based, the amount we pay.

Matt Weatherly: Yes, Social Security, retirement, pension contributions. I believe it's somewhere around 19%. I will defer to the City Treasurer, there's probably another \$1.3 million on top of the \$6 million. So really the total comp cost is 7.3. Do I have that close?

Jeff Nichols: Mr. Mayor, Councilman Smith, it's about 1.57 million. \$1.6 million if I round up.

Councilman Smith: And that's on top of 6.0, or is there a more precise number than \$6 million, 00000? Are you basing that on....

Jeff Nichols: That's a pretty precise number, Councilman. No, it's based on when we look at our employee base. The \$6 million was an estimate. While the study was being done, we were preparing the proposed budget and we thought that was in the ballpark. What we are looking at now from the consultant's report is \$6.4 million.

Councilman Smith: So that 6,000,366 is what you add the 1.570 to, correct.

Jeff Nichols: That's correct.

Councilman Smith: So the real out the door money for this program would be something like \$7.9 million?

Jeff Nichols: That's correct, Councilman.

Councilman Smith: Well, I will, as I said, this is kind of problem that you run into when you don't look at these things for seven years, but it's also, I think we are going to have to think seriously about whether we can play catch-up on compensation for seven years of restraint and we are coming on the heels of a discussion, less than a week ago or something, when we decided on past property taxes we are not going to may catch-up. So we gave relief on property taxes and said we'll have no increase there, but we have got to have compensation increases. So we will give them there. I am in great sympathy with the City Manager as he tries to solve this insoluble equation. That's I guess it, Mr. Mayor.

[Time: 01:25:43]

Mayor Lane: Thank you, Councilman. Mr. Nichols, you mentioned a number of 3.1 over and above the 6 million at a point in time. Is that for other raises that would be sort of normal in the process, not including this adjustment?

Jeff Nichols: That is the amount that we funded for the pay for performance program that we currently have where an employee, if they have the ability within the range can get up to 3% pay increase, based on performance.

Mayor Lane: And understand that that's limited by whether or not they are part of that 25% who are at the top of grade category.

Jeff Nichols: That's correct.

Mayor Lane: So we are really talking about 7.9, plus the 3.1?

Jeff Nichols: That is correct, sir.

Mayor Lane: As far as increases in pay over the period of time. So all of this put together is somewhere in the area of about \$11 million. Over the entire workforce.

Jeff Nichols: All of this together, I think we are trying to part and parcel things, is making it difficult.

Mayor Lane: Actually, I'm not trying to separate it. I'm trying to bring it together.

Jeff Nichols: In the first year, going forward, if we looked at, it would be about \$13.9 million in total.

Mayor Lane: So now we are talking about almost \$14 million?

Jeff Nichols: That's correct.

[Time: 01:27:27]

Mayor Lane: It's good to see or hear that number, just from the standpoint from some of the things that Councilman Smith talked about. It's obviously going to be a very costly thing to cover and it's getting more costly as we talk about it. Or at least as some of us may know.

I have one other question, and this goes to Mr. Thompson. We have a situation right now, that we waited for two and a half years for a study. That's no fault to anyone sitting in this room, in the evaluation of WestWorld and its operations and we just had a meeting of the WestWorld subcommittee, talking to those people who are starting the investigative part of this with interviews and frankly, they apparently have gotten some background from other sources but my concern would be since nothing would change in going down, and maybe it's because these positions are absolutely stayed, but I'm concerned about the fact that we take a very serious look at what we do, and at least in WestWorld, until we receive that operational study, because there may be some major and significant changes to that, in how we operate that, and then we're, we may have folks that may have been adversely impacted by having been part and parcel in this upgrade and having something dramatically change as far as categorizations or otherwise. I just would hope that we could take a good close look at that.

We even talked about some of the things that we might privatize that we might be able to reduce our costs since it costs the taxpayers well over \$2 million a year, in subsidizing that operation. So I'm concerned about that. So just if you can use your review of it. I will leave it at, that bust that's a concern for me. Councilwoman Milhaven.

[Time: 01:29:38]

Councilwoman Milhaven: Thank you, Mayor. I'm reminds that grandma used to say, you get what you pay for. I want to thank the City Manager for doing this study. I first got on Council in '11, when we set the 105 and we did a study and was very sorry that we didn't do this again. Thank you for doing this study.

Our motto, and we get excellent services around the service that we get from the people here and he can even attest in my own personal experience before I was on Council. When I tell the gray story that I got, and I say, no I got that great service before City Council. I'm very proud of the people who worked in this organization. But the fact of the matter is things get more expensive over time. And then I hear some of my colleagues who are a little bit worried about, well, if we peg is at 105, we will drive the market up. If we do nothing, the market moves anyway. So we know that things get more expensive over time for us to do a market study.

It's so responsible and so appropriate, and it's what great organizations do to make sure that we continue to invest in the quality of our community and in a service organization like the city, the services that our employees provide our citizens is the biggest product of what we provide. And so making sure that we continue to higher quality, compensate for quality, be competitive in the marketplace, will assure the continued quality of our community. And so, making sure that we are in a good place competitively is so critical.

I'm also reminded I worked with somebody years ago would said our people are asset we should invest in. They are not expenses that we manage. Because, again, as grandma said, we get what we pay for. And I think as we are looking at where we want to be in the community, I don't think anybody in Scottsdale would say, we are satisfied being average. That we want to be above average community, and that's where, that's what we should shoot for. I also think that we look at quality and we want to be competitive in the marketplace and we want to continue to provide above average services. I think we did it, we should compensate our people appropriately for the amazing job they do in the marketplace.

But I also think about my responsibility to the citizens, right, and the citizens are looking for us to be good stewards of their tax dollars. Right? So we need to be able to balance how much it costs to provide services with the value we can provide to our citizens. And so I don't think in my opinion, that our citizens are looking for us to be the lowest cost payer. They want us to balance the value with quality. And I think doing this study does exactly that. And so, and we can be really smart about making sure that we are being competitive. We are not overpaying, but we are balancing cost with value. So I want to thank the City Manager for, for doing this work. I think it's absolutely the right direction for us to go in. It's the right deal for our citizens and our employees and I would ask the City Manager, is there anything more you need from us to support moving forward with this plan?

[Time: 01:33:16]

Jim Thompson: Mr. Mayor, Councilwoman Milhaven, and City Council, not at this time. I think accepting what's before us, I will take into consideration all the other comments. In fact, the numbers that we have before you this evening, might change slightly as I walk through. Since we're not looking to implement it all at one time, we are looking at over the next few years, we will be back. We will look at the market. I will look at the 200 or so positions that are over in the marketplace right now, what adjustments will be made. Are they maxed out. Will they max out by the movement of the downward adjustment to the range, all ever those things that we have yet to

finalize. And I think the employees are well aware. As for those who are well behind the marketplace, we may not jump all in one year. We may have some reductions in this. We may have some positions that are unfilled. We may have reclasses that come forward. So there are a lot of things that change this.

We may have the study such as WestWorld, what we bring forward later this year, associated with all issues, associated with WestWorld do. We privatize more? Do we bring more in-house? What do we do? And how does that impact the responsibilities of those that are out there? All of those things will be taken into consideration before July 1<sup>st</sup>, when I will roll forward of the plan and so we have yet to determine that.

This is your first view, my first view complete concept before us and left it in its raw state from Matt. My role is to see what does this look like? How we have the few issues that remain, the 200 employees that are over, and we will have to go back and look at how best to impact in the organization and maximize what we might have available in our budget, because I still have to bring you forward a balanced budget, at the end of the day and I will do so. So, I guess if there's anything that I ask Council, is to, to recognize that I believe this to be our highest priority, operationally, is to take care of what you have first, and certainly, I want to take care of those that take care of what we have. And so to me, that's my number one priority and you will see that reflected in any budget that I bring forward to you. So I would, I would look for, you know, support in that budget process to do the same. Thank you.

Mayor Lane: Thank you, Councilwoman. And thank you, Mr. Thompson. Councilman Phillips.

[Time: 01:35:35]

Councilman Phillips: Thank you, Mayor. And thank you, Mr. Thompson for bringing up the fact that this will come back to us because I didn't want this to be the end all. I kind of agree with Councilman Smith, you know that looking for the 105%, it's just going to drive other cities to see what we are doing and they are going to, I think we need to do it too. I would rather look for the let's stay competitive too. I think that's a good way to go.

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

[Time: 01:36:18]

Vice Mayor Korte: Thank you, Mayor. One of our values and ideals here at the city is to hire the best and the brightest. And if we, if we expect our staff to provide the type of customer service for our citizenry for which we rely on our staff to do that, we have to treat our staff the way we would want to be treated. And the fact that 48% of our staff are behind market in salary is not treating our staff the way we want to be treated. Yes, this gives me some heartburn, however, you know, we really have kind of, we really brought this on ourselves in the fact that we have not looked at a job classification and the whole compensation study since well before I was on Council. We have not had that, that hard look, and I certainly support this. I trust your word, Mr. Thompson, that you will bring



forward a balanced budget and make this work. And with that, are you looking for a motion on this? Or simply accepting the results in consensus? Mr. Washburn?

Bruce Washburn: Yes, I believe this is agendized for a motion to accept.

Vice Mayor Korte: Okay. Then I move to accept the results and recommendations of the fiscal year 2017/18 job classification and employee compensation study.

Councilwoman Milhaven: Second.

Mayor Lane: Motion has been made and seconded. Councilwoman Milhaven, would you like to speak toward it? Councilwoman Littlefield?

[Time: 01:38:18]

Councilwoman Littlefield: Thank you, Mayor. Well, I guess I will just kind of add my two cents worth in on all of this. I was a little bit dismayed, as the price kept going up and up and up. I'm glad we stopped talking because then the price won't go up any more. I like the idea of having uniformity across all of the city in the way that we treat people with the ranges and not have different setups and different departments. I think that I don't like stating a particular percentage like we want to be 105%. That can be too confining for one thing, and it can also lead us into more problems like what we're just trying to bail ourselves out of. So I think being competitive is a proper way to go.

We want our employees to be paid competitively and well for the work that they do I certainly agree that the Scottsdale employees are above and beyond most city employees. I think we get wonderful service and wonderful attitudes which is really important. And I think that's something that we want to work hard to keep. I too will trust that you will come back with a reasonable balanced budget for this and I will be very interested to hear how you come up with those numbers. So I will await that time and frame and hopefully this will go well. Thank you.

Mayor Lane: Thank you, Councilwoman. Councilwoman Klapp.

[Time: 01:39:54]

Councilwoman Klapp: Well, I have told people for many years, I want Scottsdale to be like Nordstrom's in that I want to make sure that we offer the absolute best service in many cases no questions asked. And I think we do that for the most part and because we do, that I think we should pay for that. So I have supported the, many of the changes over the last many years that we have made to various pay programs and I certainly support this.

And I just want to thank the City Manager for making this his number one priority because I agree with him, the amount that we pay the people at the city has to be the number one priority because we are basically a service organization. And that means that we have to value the people that work here. So I have no problems with voting for this motion, and I thank all the people here as well as the other

employees at the city for the work that you do and bear in mind that we expect this to be the, to provide the best service comparable to any other city in the valley, and we hope that we are down the path, excuse me. We hope we are heading down a path that will cause us to be more competitive in the future. That conversation we had back in '11/12, I remember that quite vividly and I didn't find it troubling. I felt it was necessary that we at least set a goal. The goal back then was 105%, least we are heading toward it. We are not going to be there, even with this amount of money this year, but we are heading towards something that we can reevaluate in the next year or two and I feel good about that.

[Time: 01:41:29]

Mayor Lane: Thank you, Councilwoman. You know, I think our number one priority is a good one, as Mr. Thompson has said. I think this is important. I think getting into a single category of pay rate and ranges, performance measures, as well as whatever adjustments are necessary. I think that's a solid and a good positive step forward for us. I think it eliminates an awful lot of internal concerns in how that was regulated. I was always concerned about it myself as to how that was worked out. I'm glad it's addressed.

The other is that I'm very much concerned that the general public needs to know what we are doing. And our concern with this, it's not taking exception with the idea of having this study or frankly we all know what the ground rules are on, this but just make sure that everybody knows how we are operating and where we are heading. So a lot of things have to be answered. And when we talk about our resources one way or another, it is our primary responsibility here as a Council to make sure that we are at least addressing the fiscal responsibility that we have upon ourselves to make sure that it's administered here in the city of Scottsdale. So certainly, we want the best for our employees.

We want the best for our employees and from the employees and the best possible value for the citizens. We're not running up a spiral staircase to chase other cities in a group. We don't want to necessarily be leading that charge. But we don't want to be in the number one position and we all know where that goes. If we are all in the number one position, then there's no one ever in the number one position, but we drive the thing as fast and furious as we can. And there are also an awful lot of advantages to, I believe, working here in Scottsdale and I think it's something that we don't want to discount and even working here in the valley. But I'm, I'm certainly, I'm fine with it. I'm glad to hear maybe some of the things we'll come back with. We talked about the extent of new hires and that, that were in the budget and whether there's a way to mitigate the costs but still move ourselves forward in a manner that I think we were all endorsing here. With that Councilman Phillips.

[Time: 01:44:14]

Councilman Phillips: Thank you, Mayor. Does someone second this motion?

Mayor Lane: Yes.

Councilman Phillips: Ready to vote then.

Mayor Lane: Oh, okay. Very good. Well, I don't think there's any problem with that in any case. We're done. Okay. All those in favor, please indicate by aye. Those opposed with a nay. Aye. Motion passes for the acceptance of it pursuant, obviously to a continuation of some of the considerations that have been discussed here. So it's unanimous, 7-0. That completes this item. Thank you very much, Mr. Weatherly and thank you very much to Mr. Thompson and Mr. Nichols and all those who have participated with additional information for us. Thank you.

Matt Weatherly: Your H.R. folks are great to work with. Thank Ms. Brown and her staff as well.

Mayor Lane: Well, I will add that as a thank you from me as well, at your direction. Okay.

#### **ITEM 21 – MONTHLY FINANCIAL UPDATE**

Mayor Lane: Our next item is Item 21. It's the Monthly Financial Update. The presenter is Mr. Nichols who has positioned himself at the podium. Welcome, Mr. Nichols.

[Time: 01:45:27]

City Treasurer Jeff Nichols: Thank you, Mr. Mayor. The monthly financial update as of March 31<sup>st</sup>, 2018, as you can see pictorially, some areas were a little bit ahead, some a little built behind, but looking at the figures, for our General Fund operating sources, comparing our revised budget we have favorable variances across the board of \$10.3 million. Some of the ones I want to point out on this slide, you will see charges for service and others there's a large percentage increase for 34%.

A large part of that is the APS under grounding and we had people paying more than \$1 million. They prepaid their assessment so they would not be charged interest on it. So we got that revenue in but we have to make that payment to the people that assisted us in financing those improvements. You see down this in licenses, permits and fees. Basically, that's due to the fire department's advanced life support which resulted in 100% recovery, us putting an advanced life support person in the ambulance, however, I caution you because those costs are being challenged by the ambulance companies. So we'll see if we keep those.

Looking at our General Fund operating source, it's just the sales tax portion. Again, one thing I just want to say is the unpredictability of the timing with ADOR. You see some areas that were, have seen some significant increases. You see the rental area 13% or \$1.4 million favorable variance and that's higher than anticipated increasing in residential real property rentals and personal property rentals. You also see some fairly large favorable variance in automotive and that as I related last month was due to some retailers not moving out of the city, in the manner that they told us they would and spending a few more months in our city and going to Maricopa County Salt River community.

And then you see the 1% tax. When we look at the uses by category, fiscal year-to-date, personnel

services a favorable variance, about \$400,000. Contractual services, a fairly large favorable variance of \$2.4 million. The majority of those contractual services, it was across the board, the city treasurer had about \$300,000 favorable variance for banking services and software maintenance. The City Attorney had \$100,000 favorable variance. We are not litigating as much as we thought we would this year which is a good thing in my opinion.

Some other areas, Community Services, we're seeing lower participation rates in some of the programs. So we are not having to hire staff to run those programs. About half a million dollars in savings there and Public Safety Police, primarily due to timing of vendor invoices. So we are seeing some savings in that regard. Overall, though, a negative variance of \$500,000 on the uses side. When we take a deeper dive into personnel services, again, you see the salary savings I mentioned again and again, regarding the fact that we have people leaving positions within the city. We are hiring people. We are paying them less than the incumbent that was in that position and so we are realizing the savings.

The negative, unfavorable variance in retirement is being caused by the \$1 million payment related to the Hall Parker case that we had to make in December. So overtime, unfavorable variances driven by the Fire department and having constant staff positions on the truck. So when we look at operating divisions by, by operating division expenditures, by division, only two divisions have unfavorable variances Public Safety, Fire, I had mentioned the overtime, and then Public Works is in the uncontracted services. They're doing a little bit more work. They have had some unexpected things that they had to address that wasn't in their plan as they moved forward. So overall, favorable bottom right-hand corner variance of about \$9.8 million per the budget we were expecting 6.7. So we are doing well at this point in the year, and hopefully that continues throughout the end of the fiscal year. And with that, I will take any questions that you may have.

Mayor Lane: Well thank you, Mr. Nichols. I think it was very comprehensive and we see no comments or questions.

Jeff Nichols: And now Mr. Lipinski will give a quarterly CIP financial update.

Mayor Lane: Very good. Thank you, Mr. Nichols.

[Time: 01:50:28]

City Engineer Dave Lipinski: Good evening. Tonight, I will run you through the quarterly CIP update through Q3. I'm going to run through the CIP budgets and expenditures and then a couple of the key projects that we currently have underway. This represents the budgets by division, the bottom or the darker line as you see it is the budget from inception to date, the lighter line above that is what was actually spent, what checks have been written for. There are some variances in these. There are commitments are not represented on this.

So contracts that have been signed but not paid yet, there's \$72 million of commitments that are not represented because they are in the process of occurring currently. A couple of the variances, you

see here, in the preserve, and you have got the \$32 million remaining in the Sonoran Preserve and there are three where they are in the design phase went we haven't spent the construction dollar. And Happy Valley, and Pinnacle from Happy Valley and a couple of others that are eating up several million dollars of spend at this time. This is the graph from the previous pages in the numerical format. And, again, you have got some variances around the side of budgets that just haven't been spent yet. They have been budgeted in full but they have not been through the design process yet.

By funding source, there is one negative in the, under the IGAs. This is for the Granite Reef Watershed. We are working on finalizing the intergovernmental agreement with the Salt River Pima Maricopa Indian community and that returns that negative to a positive. We are finalizing that agreement and we will bring it before you for execution. Into some of the projects we have ongoing, the first one is the chemical systems replacement. The McDowell Mountain Ranch Pool is almost complete. It's anticipated to be completed in May. This is to replace the gaseous chlorine systems at the city pools to replace them with onsite. That was created by an increase in the technology costs from when this project was originally created and the project team has changed technology to provide a treatment to a lesser costing technology but still above the original budget. Those are the old chlorine tanks and on the right-hand side is some of the new equipment that's being installed that they hope to have up and running next month.

The 68<sup>th</sup> Street over the canal. We have awarded the design for the project. We are moving through the design with an anticipation of a January construction window. SRP, we are getting a canal dry up at that point. We can bring the new construction out of the canal before they have to flow water. We have worked with the street transportation department, and identifying the areas of the structure that have some, that are starting to fail and keeping traffic off of that. We are able to open up southbound 68<sup>th</sup> Street at Indian School Road allowing for the two through and one left-hand turn movement. This has increased the traffic flow across the structure from when we original came out and closed the two inner lanes until we could do a full analysis of the structure itself. It remains in this condition until January until we have a hard closure for construction.

[Time: 01:54:21]

Fire station 605, this is a bond 2015 project. The station was certificate of occupancy was issued March 9<sup>th</sup>. To give you an idea of what the station used to look like, on the left with the cubical-style wall and the picture on the right and the old kitchen versus the new kitchen here. And so they are in. We are finalizing the contract with the contractor. We will take the final numbers back to the Citizens Bond Oversight Committee. It will be very close to spending every penny we had available because some of things we discovered during construction. Fire station 613, this is under construction also. We are looking for a certificate of occupancy next month. This is the fire station at Hayden and Jomax. Currently the G.O. bonds do show 3.1 remaining and part of that is commitment, and commitment is not shown against this budget because it's not been spent yet.

Fire station 603. This is some renderings of what the station will look like. We are moving towards a 90% design. It's anticipated to be here for the Municipal Use Master Site Plan. I want to say that is in June but you guys will see it for Municipal Use Master Site Plan approval. And fire station 616,

Cave Creek Road and 110<sup>th</sup> Street. The elevations of the station. This will come back to City Council on May 22<sup>nd</sup> for a hardship exemption for building height. It's the undulation of the existing terrain that forces it to be over height because they measure from existing ground, depending on where it is above, where it is on the building. So different corners of the building violation but the building itself does not. You will see that later in May.

The last one I have is for the pavement replacement. This is the last bond 2015 project. They have four more street segments that are going to overlay. They will finish a good portion of that this summer and one segment will fall into the spring of next year and they will be complete with all the pavement. Currently they are estimating getting 194 lane miles of paving done under that bond question. One last thing to share with you tonight, we have been working with the communications department on some project videos. Let me see if I can get it to come up here.

These are being put out on the city's website, the city's website through, through Facebook and we'll ultimately, tied to the construction website.

#### VIDEO

Mayor Lane: David, Councilman Smith is on record to ask a question.

Councilman Smith: Thank you, Mayor. I was going to go back to your, before you did the Academy Award winning movie there.

Dave Lipinski: That wasn't mine. I can't take credit for that.

[Time: 01:58:34]

Councilman Smith: The City Treasurer should take a clue from this and have movies with yours as well. The citizens approved General Fund bonding for 140 lane miles of paving and based on something or other, you think you are going to be able to do 194, almost 30% more or something. I think that deserves, perhaps some discussion and maybe even an accolade.

Dave Lipinski: Mayor, Councilman Smith, it's a little bit of both. There was a discussion with the citizens Bond Oversight Committee about some of the concrete work associated with this project. They did not want it under the bond project. So it was moved out into a separate account. So that does account for some of the lane mileage add. The other, a large part of this also was street operations director Randy Ghezzi being able to go out and market contracts. He had a request for proposal contract for the work. He went out and reached out to other municipalities to see what contracts they had in place, that they were able to utilize and I believe he utilized a contract from the city of Chandler that beat the current rates we had. He utilized that to get as much value as he could out of the project.

Councilman Smith: Thank you. Great job.

Mayor Lane: Yes. Vice Mayor Korte.

[Time: 02:00:01]

Vice Mayor Korte: Thank you, Mayor. The Cross Cut Canal Bridge, where is that?

Dave Lipinski: The project extends from 60<sup>th</sup> Street, 66<sup>th</sup> Street and Bellevue, up to the canal and up the canal south of McDowell. It's several hundred feet south of McDowell.

Vice Mayor Korte: At around 66<sup>th</sup> Street.

Dave Lipinski: Correct.

Vice Mayor Korte: That's really good stuff. Thank you.

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

[Time: 02:00:30]

Councilwoman Milhaven: Yes, well done. I had a question from a citizen recently about the fire stations and I couldn't answer it, perhaps you could. And the question was: Why don't we have a standard design for fire stations. Wouldn't it save us money rather than having a new architectural design each time we build a station?

Dave Lipinski: Mayor Lane, Councilwoman Milhaven. We have a standard footprint. It looks very, very similar and the new stations that were built currently. The architectural design has to fit into the character of the area. We still as a city project, we have to go through DRB and have to go through municipal use. So ensuring that it fits in with the character of where it's at. We are not paying just for looks and we are doing this very deliberately and using proper materials that will fit into the character but not cost an exorbitant amount.

Councilwoman Milhaven: Thank you.

Mayor Lane: Thank you, Councilwoman. Councilwoman Littlefield.

Councilwoman Littlefield: Thank you, Mayor. Could you tell me, I had a question also from someone about Alma School Road and the construction that was being planned on that. From Pima to Happy Valley. Happy Valley to Alma School Road and down to Pima on that stretch. Can you tell me what the construction plan is for?

Dave Lipinski: Mayor Lane, Councilwoman Littlefield, there are two projects, Pima Road from Pinnacle Peak to Happy Valley and Happy Valley to Alma School. The Pima Road design contract, I believe, is coming to you in the next month, and we have just selected and started negotiating with consultants for the Happy Valley Road project. There are two independent projects. They will

obviously be some coordination between the two firms at the intersection. And we have, we will work with Transportation on project delivery timing once we come to construction.

Councilwoman Littlefield: Okay. Thank you.

Mayor Lane: Thank you, Councilwoman. It seems to complete the questions. Thanks so very much, David. That completes our items under the Regular Agenda. I don't presume we have any further cards, citizen petitions, Mayor and Council items?

**ADJOURNMENT**

[Time: 02:02:52]

Mayor Lane: If none, then I ask for a motion to adjourn.

Councilwoman Milhaven: Move to adjourn.

Mayor Lane: Motion to adjourn. Weakly pronounced but nevertheless, I will accept it. We are adjourned. You can see we are ready. Thanks, everyone, for your participation.