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#### CALL TO ORDER

[Time: 00:00:01]

Mayor Lane: Good afternoon, everyone. I would like to call to order our 4 p.m. Work Study Session.

#### ROLL CALL

[Time: 00:00:10]

Mayor Lane: And we'll start with a roll call, please.

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Guy Phillips.

Vice Mayor Phillips: Here.

Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

Carolyn Jagger: Virginia Korte.

Councilmember Korte: Here.

Carolyn Jagger: Bob Littlefield.

Councilman Littlefield: Here.

Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

Carolyn Jagger: Dennis Robbins.

Councilman Robbins: Here.

Carolyn Jagger: City Manager Fritz Behring.

Fritz Behring: 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: 00:00:37]

Mayor Lane: Thank you. I will go ahead and mention for the record this is the Work Study Session of December 2<sup>nd</sup>, 2014. It's approximately 4:00. And we have no public comment on this item and we only have one item on this. I might just go ahead and mention that this is a Work Study Session. So there are no decisions or votes to be taken here. This is primarily to interact with Council and staff.

**ITEM 1 – SPECIAL TAXING DISTRICT FINANCIAL POLICIES**

[Time: 00:01:07]

Mayor Lane: Our interaction between the Council and the staff with regard to the subject matter on this, which is Special Taxing District Financial Policies and this is a request really for presentation, discussion and possible direction to staff regarding the city's Special Taxing District Financial Policies, including revitalization districts, community facility districts and improvement districts and the presenters for this today will be, we'll go ahead and get started and we can work from the table or the podium, whichever you prefer is our City Treasurer Jeff Nichols. I gave you the option.

City Treasurer Jeff Nichols: You gave me the option.

Mayor Lane: Yes, sit right down.

Jeff Nichols: That being said, I just realized someone has to move the slides. Although I trust Brian immensely, can I go back there?

Mayor Lane: I'm sorry, I gave you options. It's way too complicated.

[Time: 00:02:14]

Jeff Nichols: Well, Mr. Mayor, members of the Council, as the Mayor mentioned, at the end of the November 18 meeting, staff was given direction to bring this topic back for work study, and that's why we are here tonight. What I thought I would do is start off with the policies that we currently have in place within our financial policies. Under debt management, number 32, we do have a policy that deals with improvement districts and community facility districts. Some of this language probably needs to be cleaned up. For instance, like in this first slide, it says that it's expected that they will be issued for their full term. I'm not sure why that wording is in there. I'm not sure who put it in there, to even find out, but regardless, IDs and CFDs we do have a policy for. Here's improvement districts and you notice the debt ratio, prior to the improvements being installed is a minimum of 3 to 1, and after issuance of the debt, and the improvements, ratio of 5 to 1 after construction.

Some of the other things that I would like to talk about that are embedded in these policies is the fact that we use the net assessed valuation, but we also have in there that if someone doesn't like the assessed valuation, i.e., they feel that the county is lagging of their valuations of the properties, that they can have an appraisal of the properties done. It would be paid for by the applicant and administered by the city. And in addition, one of the other things that I would like to cover later on, that we will discuss, it says the city's cumulative improvement district, that will not exceed 5% of the city's secondary assessed valuation. While I'm in agreement with that, it also has that same language and the community facility district debt and let's say now we are bringing them to the revitalization district, if that was 5%, well, now you are talking a total of up to 15% of the net assessed valuation within the city and I'm not sure I would be in agreement with that.

However, similar to that, you see under CFDs, minimum of 3 to 1 prior to the issuance of debt. 5 to 1 or higher after the construction of the improvement. The difference that I see between the two, at least in my experience, normally improvement districts are done to existing infrastructure. The City of Scottsdale, four out of the five districts, it's just been vacant land and the person that owned the land within the CFD, they owned 100% of the land within the CFD. So those are the two districts that we have. And so like I said, community facility districts most often formed to construct infrastructure improvements on vacant land. That's been our experience.

Mayor Lane: Pardon me just a moment. We do have a question of you from Councilman Robbins.

[Time: 00:05:27]

Councilman Robbins: Can you just go back one slide. I want to put a couple of things in context so we are all on the same page. The 3 to 1 and the 5 to 1, that means the debt can be 33% of the total valuation beforehand is that saying it in a different term?

Jeff Nichols: Yes, sir. If the total value of the land was \$1 million, they could construct up to \$333,000 of improvements.

Councilman Robbins: Okay and then afterwards, the 5 to 1, that's a 20%?

Jeff Nichols: That's correct.

Councilman Robbins: And then can you put in context, the 5% of the city's assessed valuation, what would that number be?

Jeff Nichols: To put that into context, the number I figured was approximately \$250 million in debt would be 5% of the city's net assessed valuation.

Councilman Robbins: And do you happen to know what our CFDs are at presently?

Jeff Nichols: I don't that have that answer, but to my left, I see Lee Guillory.

Finance Director Lee Guillory: We have no improvement debt outstanding.

Councilman Robbins: Okay. All right. That kind of puts it in context, though. Thank you.

[Time: 00:06:46]

Councilwoman Milhaven: I have a question.

Mayor Lane: Yes, Councilwoman Milhaven.

Councilwoman Milhaven: If this is for total assessed value in the city, or is it the assessed value in the district?

Jeff Nichols: The way the policy, I believe, the way I interpret the policy, as it's currently written, it will not exceed 5% of the city's secondary assessed valuation. So it would be the whole city.

Councilwoman Milhaven: Is that by our policy or is that by the authorizing legislation?

Jeff Nichols: I don't know if it's in the authorizing legislation. I do know it's in our policy.

Councilwoman Milhaven: Thank you.

Lee Guillory: Mayor Lane and Councilwoman Milhaven, that's a city policy. It's not part of the state statute, the 5% of the city's assessed valuation.

Councilwoman Milhaven: Thank you.

Mayor Lane: Lee, can I just for further clarification, is there any stipulated amount as far as the statute is concerned?

[Time: 00:07:50]

Lee Guillory: I'm looking towards my outside bond counsel and he said that as far as, if there are general obligation bonds outstanding, there are limitations, but if they are assessment bonds, there is not. I believe the general obligation bonds would be subject to the 6 and 20% assessed valuation. No, I'm being told no. So I will return the floor to Scott Ruby.

Mayor Lane: For the record, if you would identify yourself, Scott.

Scott Ruby: Certainly, Mayor. Scott Ruby with the law firm of Gust Rosenfeld. We serve as your bond counsel on your city issues and city district issues. I was hoping to be the potted plant tonight, but apparently not. The CFD statutes have really only one restriction with respect to the bonds. They can issue, CFDs can issue three types of bonds, assessment bonds, general obligation bonds. The CFD has their own debt limit for general obligation bonds and that debt limit is 65% of market value plus the value of the improvements, which is a very high debt limit. I don't think anybody ever comes close to that.

Mayor Lane: Are we more restrictive then by our policy?

Scott Ruby: Our policies, as I have quickly reviewed them, do not speak to the general obligation bond aspect of it. Typically when we have done general obligation bonds and community facilities districts, and I mean throughout the state, we're more concerned about a tax rate and what we do is try to size a debt issuance that will produce a certain tax rate. Now, obviously, that has some

disadvantages when your assessed valuation starts fluctuating. That means the tax rate goes up and down depending on which way the A.V. goes. But normally those types of debt issues target you a tax rate.

Mayor Lane: But those percentages you just mentioned go to the district property and improvements rather than the city's total bond issuance or value, valuation?

Scott Ruby: That is correct, Mayor. I know this conversation was focused a bit on the 5% limit that you have by policy, and that is unique to Scottsdale. That I'm aware of. Now there may some other jurisdiction in Arizona that I'm not aware that speaks to this issue in that context, but I suspect I would know.

Mayor Lane: You can go back to the plant status for a little bit.

Scott Ruby: Thank you very much.

Mayor Lane: Oh, I'm sorry. Wait a minute. Forget that.

[Time: 00:10:42]

Councilmember Korte: One more follow-up question.

Mayor Lane: Councilwoman Korte.

Councilmember Korte: In your experience working with other municipalities, what is the standard as far as 5%, 10%, 7%?

Scott Ruby: Mayor, Councilmember Korte, the relationship to assessed valuation for this type of debt, either CFD or ID is unique to Scottsdale. I have never seen it in any other jurisdiction. That's not to say it's a bad thing, because improvement district debt, in particular, there is contingent liability to the city, and so I think the city would have some concern and I know years and years ago, when the city of Chandler was quite aggressive on their infrastructure financing through improvement districts, the rating agencies took that contingent liability into account and actually shut their rating down for a while, while they had significant exposure there. So it's a number or a limitation that is, that merits discussion but, again, Scottsdale is the only place I know that has that.

Mayor Lane: Thank you again, Scott. I think we'll give you a little bit of time. Mr. Nichols, if you would like to continue then.

Jeff Nichols: Yes, sir, Mr. Mayor. And so what I wanted to do was to have discussion regarding our current policies and then also foster discussion on revitalization districts. As you see here, community facility districts, at least within the City of Scottsdale are used to form infrastructure improvements on vacant land. It's most often brought forward by persons or entities that own 100%

of the net assessed valuation of the land within the district and I give you the examples there. And the practice has been to issue CFD debt for a period of 25 years, and so my question, does the Council want to continue past practices and include those past practices in a policy that would be brought forward for your consideration?

The second item there, improvement districts are most often formed to construct infrastructure improvements to existing infrastructure and I give the example of the most recent one, bell road two and does Council wish to improve district debt to infrastructure improvements to existing infrastructure?

Mayor Lane: Thank you, and we do have, Councilman Littlefield has a question or a comment.

Councilman Littlefield: Actually, I think I will wait.

Mayor Lane: Okay. Number one, I just wanted to sort of further quantify what we are doing. You mentioned earlier on that we do not have any improvement district debt outstanding.

Jeff Nichols: We currently have no improvement district debt outstanding. We have a history of improvement districts in Scottsdale that go back to about 1959. And we have done a lot of improvements within the city through improvement districts.

Mayor Lane: So it's a mechanism that has been utilized and successfully?

Jeff Nichols: That's correct.

[Time: 00:13:47]

Mayor Lane: And it just so happens that it's paid off and not been utilized since. Is there some distinction, if I may ask this for my own edification, maybe everyone else's, what is the distinction? The improvement district is for existing infrastructure and a CFD is for new?

Jeff Nichols: Mr. Mayor, when I looked at the improvement districts in Scottsdale, it was for new neighborhoods coming into the city, they wanted to put in infrastructure, which it was paving, sewer, water, those sorts of improvements. They would form an improvement district. They would make the improvements so their district and then those improvements then would be deeded over to the city. My assumption is to operate and maintain those improvements that people within the district are voting to tax themselves. Normally we sold improvement district debt and it was retired over a period of about 10 years.

Mayor Lane: So barring the use some of kind of development agreement, where you would end up having impact fees for a community or a neighborhood for new now -- a new infrastructure that would be built, the improvement district was something that the property owners got together and formed it district under the city's guidance, of course, and control, but, nevertheless, assessed their own

properties with the cost of carrying the debt for those improvements. So did the impact fees and those kinds of things, did that sort of move away from that or was it the development, master developments and development of whole neighborhoods and new neighborhoods where those fees were sort of mixed in together with the total, the total project?

Jeff Nichols: Mr. Mayor, I would have to look into that particular question of whether the assessments related to those improvements outside the improvement district assessment itself, how those were handled. I have not reviewed that.

Mayor Lane: But the improvement district is property owners getting together to build a district and a mechanism to fund those kinds of improvements that they need to expand or grow or frankly, to build the infrastructure for their neighborhoods?

Jeff Nichols: That's correct.

Mayor Lane: Okay. Yes, Councilman Littlefield.

[Time: 00:16:02]

Councilman Littlefield: Okay. So we currently have CFDs and improvement districts in Scottsdale but not any revitalization district?

Jeff Nichols: Mr. Mayor, Councilman Littlefield, that's correct.

Councilman Littlefield: So how big can an improvement or a revitalization district be? Are there legal limits on the geography? Can it be only be so big, so small? Could a revitalization district or improvement district encompass the entire city?

Jeff Nichols: Mr. Mayor, Councilman Littlefield, I will defer to Bruce Washburn on that. I am not certain, however, just by their very nature, with revitalization districts, it has to be property owners that own 51% of the net assessed valuation within the district and also 51% of the property owners within the district. I would assume that the larger you make the district, the more difficult those numbers are going to be to reach.

Councilman Littlefield: I get that. I'm just curious as to what the limit is.

Jeff Nichols: Potted plant, can we get you back up here?

Councilman Littlefield: This must be Mr. Washington, right?

Scott Ruby: Mayor, Councilmember Littlefield, with respect to the community facilities districts, improvement districts and revitalization districts, there's really no limits on how big they can be. I say that, though, with a caveat and it goes, I think to somebody who raised a point, could we have one



who is quote, terminus with the boundaries of the city? There is some law to the effect that if you tried to form an improvement district or a community facilities district that had boundaries go terminus with the city's boundaries then in essence, you have city obligations, city bonds and you need to follow then your debt limits with respect to city obligations, 6%, 20%, and that sort of thing. And so the cases put that kind of governor on it. These are not special districts and consequently should not include all the area located within the city.

Councilman Littlefield: Okay. But you could have one for half the city, a third. Legally. I understand there are practical implications. I'm asking what the legal implications are.

Scott Ruby: Slightly. There are, again, backing up a little bit, improvement districts are based upon the theory that all the property within the district benefits from the proposed improvement. So if you are doing half the city in an improvement district, obviously benefits half the city. Example maybe you build a water treatment plant and that may have a wide benefit. So you certainly could do that and we have CFDs that are 8,800 acres. I mean, it's not unusual to have large areas.

Councilman Littlefield: Thank you.

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

[Time: 00:19:21]

Vice Mayor Phillips: Thank you, Mayor. Well, Mr. Nichols, just so you know where I'm coming from and staff understands, I'm against revitalization districts and the improvement districts and I was against Michele Reagan's bill and I fought against it because I don't believe it's good for the residents. I think it's a tax burden and then they end up, it's hard to tell your property when you have an extra tax placed on your property. So I would not be in favor of any kind of things if they come up in the future and I would prefer to see them as restricted as much as possible.

Mayor Lane: Thank you, Vice Mayor. I would weigh in on the same note as far as that is concerned. One of the things with this revitalization district plan was put forward several years ago now, the intent was really almost intergovernmental kind of, or multi-jurisdictional kind of funding mechanism and frankly district policy. And at the time, one of the things that was being considered and it never gained any traction was with the tribe and as well as with the city of Tempe on the eastern-most portion of McDowell road, in that section.

It frankly, was sort of designed around that and I think it's, it ended up with an animal that is somewhat more unique and its implementation or attempted implementation of it or use of it has caused some concern, even when it was presented in the past for our consideration. One of the things we tried to deal with several months ago, in fact, maybe as much as a year or two ago was to get some clarification as to how that statute would ever be employed by the city.

Personally, I am not an advocate of the revitalization district for a couple of reasons and one of them is

stated in the first paragraph, and that is the, and it's shared with the improvement district, something I was not really aware of, but that 49% of the property owners either by valuation or total ownership could be subjected to this type of structure against their will. And I find that to be a difficult thing to swallow. And it may be one of the reasons the improvement district is no longer being used. The other is the revitalization district does the same thing. So I'm not an advocate in both of these cases. When we talk about the improvement in revitalization districts, I'm not sure whether or not the districts possibility at the 51/49% kind of setup, the 51% setup, whether I do want to continue that policy. I think it would probably be something we would rather go to, either a higher number or eliminate. But I certainly don't want to apply it to the revitalization district.

There is another element here too, in that I have been trying to figure for quite some time now, as to what advantage and, you know, we have had an awful lot of conversation as to what it is to the city's advantage to the property owner's, what advantage this kind of structure with an independent board, I'm talking about revitalization district, where the city and, well, the city relinquishes both control over bonds and taxing in that district area, even though the dedication of the streets and the roads may be given over to the city. We lose control over it. And it does not seem to play very well when we think about it in those terms. I'm not anxious about turning over responsibility to a mini town within our city of taxing and bonding under these circumstances, particularly when I don't see that there's any particular thing that is served that couldn't be easier served either by a CFD or even an IDA, where in the case of an IDA, we have maintained a lot of control and we reduce the risk and it goes to the private property owner but it still remains taxable property in the city limits.

The same thing with the CFD. And you want to throw in the IDA's advantage, I suppose is the fees that are accumulated through that process that we have found to be beneficial for the city at different times for different reasons. So in answer to both of these, I wouldn't want to continue either of these. Now, it says the property value ratio, okay, the second, or the first question says should this be a consideration when setting policy related to the debt to encumbered property value ratio? Well, that is in the establishment of the district and help me, maybe I'm not clear on that first question.

[Time: 00:24:18]

Jeff Nichols: Well, my thought in this, and I was the one that created this, should this be a consideration whether setting the policy related to the debt to encumbered property value ratio was you have people within the district that may be in the district that didn't vote to be in the district. As a matter of fact, they were on the losing side of that, and does this governing body still have a duty to those people that are in the district that didn't want to be in the district and therefore, if you set the ratio higher, which when it was brought forward before, as I mentioned earlier, it was 3 to 1 before improvements and 5 to 1 after. So would it be for IDAs and revitalization districts since some people may not care for the improvements even though they benefit from them. Should the ratio before and after, should there be a larger spread? Should it be a 3 to 1 before or a 7 to 1 after? I mean, I don't have that recommendation on that. I just wanted it to be a discussed item.

Mayor Lane: Mr. Nichols, is there anything in particular that you can cite or that we could consider as to why either the improvement or the revitalization district couldn't or the purpose that somebody might use for those couldn't be better served as far as the city is concerned with the CFD?

Jeff Nichols: Mr. Mayor, members of the Council, in my opinion, and this is strictly my opinion or my advice that I would give to you, is like I do in my personal life, I would do whatever I had to do and make it as easy as possible up front. So if CFDs could accomplish the goal and the Council was still, and oversaw that district as the governing body of that district, then you use that. To me revitalization would be the last option I would look at, because I believe that there are other mechanisms, other tools, if you will to accomplish the same things. And I think you should go from simple to complicated and not just skip everything in between and just go to complicated.

Mayor Lane: Well, I think one of the, if I were just to focus for a moment on just the revitalization district, that seems to be the greatest departure from sort of a structure of governance and control, than either the other two, either the improvement district and/or the CFD.

[Time: 00:26:40]

Jeff Nichols: Mr. Mayor, members of Council, I would agree with you, but I think that was with purpose. And, again, because when you are looking at multi-jurisdictions within a district, and as an example, I would say, where the city of Tempe and Phoenix and Scottsdale meet, over by the Papago area, if, in fact, we were wanting to get to go and make some improvements for, that well, I'm sure Phoenix would be willing to say, we'll take charge of that and Tempe and Scottsdale would say, no thank you. And the same if Tempe said it or Scottsdale said it. So I think it makes sense in certain circumstances when you are crossing governing bodies or getting more than one governing body together for a district, and I -- again, when we get further in this, my question to you is: Do you want to limit revitalization districts to those instances?

Mayor Lane: Yeah.

Jeff Nichols: Because, again, I would offer my opinion, if you have three governing bodies, the state of Arizona allows to enter into intergovernmental agreements. And perhaps you could accomplish the same thing and it's a tool, I think, that you work out all the what ifs beforehand within the I.G. and go I.G. negotiations. My concern is, and, again, it's more of a legal issue, is with these revitalization districts, if we get too involved in forming the district, or setting up the parameters of the district, we may find ourselves in a position where we do hold some responsibility for that district in the future.

Mayor Lane: You mean that risk would shift over to the city?

Jeff Nichols: We could assume some of the liability if we get too hands on with it.

Mayor Lane: Because it redefines itself?

Jeff Nichols: That's correct.

Mayor Lane: Well, I will leave it at that as far as my opinion is on it. I think there may some other comments on it. I think really truly, I don't know that we have a continuing need for the improvement district and the revitalization district. I would say as you just mentioned, simple first. If we are we can accomplish with existing mechanisms right now and there's no detriment to anyone, and no further denigration of the city's control over bonding and taxing and control of a segment of our communicate, I certainly would rather opt to that. In fact, I have even heard as much, that one of the reasons that some have approached us on this is frankly to bypass this body politically and the general public in their efforts to tax or bond a segment of our community on the overall. So I'm concerned about any policy that sort of locks us in for that consideration. So I guess on both of these, I wouldn't be worried about how many years on the R.D. because I wouldn't think it would be an option I would like to be following. On the improvement district, I suppose it might stay with the policy you have now. It seems to have been harmless and it doesn't certainly relinquish all the control mechanisms that the R.D. does. So that's my position on it, as it is right now. Councilman Littlefield.

[Time: 00:29:49]

Councilman Littlefield: I guess I'm curious as to what motivates this discussion. Obviously, the question whether or not you would want these would be what you are trying to accomplish. So I guess I'm curious as to what it is that we thought we might want to accomplish that prompted this discussion. Is there anything on the table where somebody said we think we would like to have an improvement district or revitalization district? I mean we have plenty of CFDs laying around.

Mayor Lane: Councilman, if I could, I might just say that.....

Councilman Littlefield: Well, yeah.

Mayor Lane: I'm not sure what the ties might be with some of the folks and the charter officers, and they may be but certainly the city has been approached a couple of different times with regard to the use of this, and they were both found to be just outside the box for, and a lot of it was centered on the idea of this control that we are talking about on taxing and bonds but also just the overall control for a district that might encompass a great deal of area. But there are also some thoughts as to what motivated those people who brought it to us. And there may have been some less than straight forward kinds of considerations as to, in the depth of the recession, even to the point of trying to get something refinanced, they are otherwise wouldn't be able to get refinanced and bail the original owners out on debt.

Councilman Littlefield: Well, that was exactly my question, not that I'm a suspicious person or anything.

Mayor Lane: No. No.

Councilman Littlefield: Okay. But there's nothing on the table at the moment?

Jeff Nichols: Mr. Mayor, Councilman Littlefield, the reason I personally brought this forward, I mean, for discussion, is because it's November 18<sup>th</sup> Council meeting.....

Councilman Littlefield: Yes, we asked you to.

Jeff Nichols: I was directed to.

Councilman Littlefield: Is there some proposal on the table somewhere?

Jeff Nichols: Mr. Mayor, Councilman Littlefield, the City Manager and I had met with a person that was interested in using this financial mechanism. It is in the area that was my understanding because it wasn't here. It was brought forward before. It is a different project, however, the person that brought it forward I had reached out to them and I had asked them. I said from everything that I see, it's a small number of people formed an LLC. They own 100% of the land. Is there any reason, you know, that you just don't come forward. We have a policy related to CFDs that you do this under. There's not a need for revitalization districts. So I pointed that out. Yes, there was a person that brought forward a project that is interested and we have no formal process currently for applying to the city to form a revitalization district. That's what we were going to try to accomplish with this discussion.

Councilman Littlefield: Was this a McDowell Road project?

Jeff Nichols: No, it was a project up in the northeast part of the city.

Councilman Littlefield: All right. Thank you.

Mayor Lane: Thank you, Councilman. Councilwoman Milhaven.

[Time: 00:33:04]

Councilwoman Milhaven: Thank you, Mayor. This is a conversation that I started four years ago, and for me, this conversation is about the redevelopment district but it's also about all of the taxing districts, some of what we have heard here is this policy is unique to Scottsdale and is not in the authorizing legislation. I remember four years ago when we started this conversation, I read all the authorizing legislation for all three districts. I would have to brush up again to remind myself of what it said.

But at the time the former Treasurer and I had conversations around the policies related to these districts and I realized our differences in looking at the policies come from our different points of view. He was looking at the Treasurer issuing bonds for the city and I was looking at it as a 30-year lender

helping finance projects and the way you look at collateral is different from those two points of view. So, and this is clearly pretty complex and we have heard things about contingent liabilities for the CFD and the potential of creating additional reliability or risk depending on what we do. So rather than us make any decisions tonight, what I would like to see happen is some more work around this.

These can be important economic development tools. And I would like to know that your policies are appropriate that would allow us to use this and with all due respect to Councilman Phillips who doesn't like these, if these districts made it possible for D.C. ranch, McDowell mountain ranch and, some of those beautiful communities in our city, and the citizens certainly don't have any issue buying and telling their homes, I think it could be a positive thing for economic development in our city. So what I would like to see happen is the industrial development authority has a lot of experience with bonding.

Have them take a look at the statutes and maybe work through and say, what does the statute require? What is the city's policy with regard to this? What do the policies in other cities to make sure our policies aren't so restricted that it becomes a tool that folks condition use? But with an eye on what the, what the risk is to the city for each of these and what uses might be and have them come back with an overview. Here's the pro. Here's the con. Here's the use. Here's the policy. Here's the risk and help us be better informed before we make some of these decisions. That would be my hope.

Mayor Lane: Thank you, Councilwoman. Councilwoman Korte.

[Time: 00:35:38]

Councilmember Korte: Thank you, Mayor. This revitalization district is about 4 years old in the state. Is there any other community that has utilized this funding mechanism? In the state?

Jeff Nichols: Mr. Mayor, Councilwoman Korte, I'm going to defer. I have heard, let me defer to Bruce. I heard of one through Bruce. I'm not certain.

Bruce Washburn: The only one I know of is there is one in Flagstaff and maybe Mr. Ruby knows of another.

Scott Ruby: You are right, Mr. Washburn. There's one in Flagstaff. My understanding is it has not issued debt.

Councilmember Korte: This revitalization district certainly wasn't created, we didn't create the wheel on this. Are there other states that have used this type of mechanism and how have those states used that? I think that would be important for us to look at before we throw the baby out with the bath water. I understand perhaps the state of Florida has used this type of mechanism often. I would like to see how that is used and how it has benefited the community and economic development. And in parallel thinking with Councilwoman Milhaven, these are tools. These are

tools that are important for us to just have in our tool box, whether we use them or not.

[Time: 00:37:24]

Mayor Lane: Thank you, Councilwoman. I would simply say that I think simplicity rules here. If we have mechanisms that have been used and used successfully, even if there are some folks who don't particularly care for the CFDs and the IDs, that I would, I'm okay with continuing those policies myself. And frankly, I would just, we can study this until the cows come home, I suppose. And maybe it is that complex because this thing has been used and utilized, I think, sometimes, well, it's been used in Flagstaff, I don't know how successfully if there's no debt issued.

I'm concerned about the control issues that the city relinquishes and for what reason? I'm talking about, now we have talked an awful lot to the benefit of the city, but why would we be turning off, turning over a section of our community to someone else's governance and control outside of this body where we would not have any control over it? When we have mechanisms, you can call it whatever you want, we can use it for revitalization, we can use IDAs, that's what they are intended for and in that case we have a, you know, similar mechanism and we earn fees from it. But we maintain control of private property within our city limits.

In this case, we relinquish control of private property to a district's control, at least in those areas that I had mentioned. So I'm concerned about just simply that. And know the circumstances and how this was developed and why, and I'm not sure it may have been mirrored or may have mimicked some other state or city across the country, in its use, but it really hasn't come into play where this particular, the R.D. now, is particularly useful outside of the realm of tools we already have. It's just because it's labeled revitalization, it doesn't mean it's the only thing that could facilitate revitalization. Councilwoman Klapp.

[Time: 00:39:25]

Councilwoman Klapp: I also would echo that I believe that we need to have a policy. We have got revitalization districts. We have no policy. And I think this body is pretty biased one way or the other and I really think a third party, such as the IDA, to take a look at this. They are not making a decision, though. I think the suggestion to have them look at this, and to determine what policies might be appropriate to recommend to the Council as well as review all the uses of this district and other districts and look at other states and look at how they could be utilized in our city is a good thing. It's still up to the Council to decide what we want to do.

But I think we look rather foolish, when we have people come to the city and want to consider using a district and we say, well, we don't have any policies about it. And so then we try to force them to go a different direction when in reality, we encourage revitalization districts when the legislation was approved and so now it seems to me that the smart move would be to send this question to the IDA and ask them to take a look at it. Come back and give us a report and discuss with the pros and cons of whether or not we should or should not have districts and what the policy should be. I think that's

just smart business. I don't know if we need a motion. This is a work study.

Mayor Lane: There's no motion.

Councilwoman Klapp: I think we are just giving direction. So I would like to direct staff to do that, to work with the IDA, in coming up with some, ask the IDA to take a look at the districts, the pros and cons, the relationship of revitalization districts to the other two types of districts that we do have policies. Lay out for us why we should or should not have a revitalization district policy and if we should, what is it? And what should the limitations be? I think it was mentioned that the more we get involved in the districts, the more our liability might be. So it might be good to ask a third party to discuss this, rather than us putting our opinions upon it without in some cases knowing all the ramifications of whether or not it's a good idea to have the revitalization districts in Scottsdale and if we did, what should the policies be. So I would like to ask staff to do that. So the City Manager and Treasurer work with the IDA.

[Time: 00:42:00]

Mayor Lane: We can put that in the form of a directive vote or to get a consensus on that.  
Mr. Behring, did you have a button pushed here?

Jeff Nichols: Mr. Mayor, it was me that pushed. I'm sorry. I pushed your button. I do that quite often.

Mayor Lane: You know how to push his buttons.

Jeff Nichols: I know how to push his buttons. That's absolutely correct. I will take that direction. The only thing I would caution, it's not something I would feel comfortable turning off to the IDA. I think we should work with them. I would like to, as a parallel process use staff to look at the issue from an internal perspective. We will get an external perspective. We will get an internal perspective and marry those two and bring it back for Council's consideration.

Councilwoman Klapp: I didn't mean to imply that you would be separate from that process. That would be fine.

Mayor Lane: I'm going to say the idea of having some policies that revolve around any of these but for particular district funding mechanisms is fine and review of them, I think that's purposeful and a good thing. And it may be that the IDA is a committee that we can rely upon to do, that but my greatest concern in this and this goes back to staff and to management and to legal, and that is what we are doing in the sense of turning over governance over city, over land that's within the city boundaries and that's something that I think weighs heavily on the other side and when we talk about what mechanisms we use, that this one maybe falls down the less when we think what we are trading off in the way of governance. I don't think that's something that the IDA should be looking at. That's not their realm. We as a policy making body should be looking at that, on the best advice from



our professionals sitting there at the table. So, you know, I would go with the motion and I will say that it's a motion and we will vote on it from the standpoint of directive, or direction on that. I will second that but we do have, I'm sorry, maybe just depending what the City Attorney has to say.

[Time: 00:44:14]

Bruce Washburn: I wanted to point out that the IDA is created by statute and has specified duties. I haven't looked at the IDA statute recently, they are not an advisory body like most of our boards and commissions. That hasn't been said. I think that it's certainly possible for staff to work with them, to, you know, request that they provide whatever expertise or input they might have on this. So I'm assuming the motion would essentially encompass the idea that staff should do whatever was -- of course, the IDAs do whatever is in their lawful authority to assist on this issue.

Mayor Lane: Thank you. Just one final comment from my perspective and I think it's shared by a couple of other members here and that is the great concern over the governance issue, the control and how this mechanism could be used to the detriment of the city, even if it only besmudges our reputation and our bond rating by virtue of a failure of such a property and that is something I want to at least be considered in the entire picture too. So with that, a motion and a second, with those qualifiers on the guidance. I think we are then ready to at least vote on that to see where on that.

All of those in favor of that motion as has been expressed please indicate by aye if you agree and nay if you oppose. The motion does pass, 5-2, with Councilman Littlefield and Vice Mayor Phillips dissenting. So that is the guidance and then that is where we need to be.

#### **ADJOURNMENT**

[Time: 00:46:03]

Mayor Lane: We have a few minutes before our meeting. So we'll certainly, I'll take a motion to adjourn this particular meeting.

Councilman Littlefield: So moved.

Councilwoman Klapp: Second.

Mayor Lane: All those in favor of adjourning the session, please indicate by aye. We are adjourned. Thank you. Thank you, staff.