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CALL TO ORDER

[Time: 00:00:02]

Mayor Lane: I'd like to call to order our April 21st, 2015 Work Study Session. It is approximately 5:00 p.m.

ROLL CALL

[Time: 00:00:09]

Mayor Lane: We'll start with a roll call with the first notation that Councilwoman Klapp will be participating by telephone so I am presuming that is already established.

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Linda Milhaven.

Vice Mayor Milhaven: Here.

Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

Carolyn Jagger: Virginia Korte.

Councilmember Korte: Here.

Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

Carolyn Jagger: David Smith.

Councilman Smith: Present.

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 Sharon Walker.

Sharron Walker: Here.

Carolyn Jagger: And the Clerk is present.

[Time: 00:00:48]

Mayor Lane: Okay, thank you. There is no report from myself, Mayor's Report. We do have Public Comment cards. And there is a total of 15 minutes that is set aside for Public Comment reserved for Items that are only for Items that are on this agenda will just occur now at the beginning of the session rather than, as is a Work Study Session. If you have thoughts you would like to share with Council, consider but do not wish to speak please submit them in writing to the City Clerk with the yellow cards she has over her head. Okay. We only have one, well, actually that's not true.

PUBLIC COMMENT

[Time: 00:01:40]

Mayor Lane: Our first item on the agenda for the Work Study is the General Obligation Bond Program. And we have Derek Earle here our City Engineer right in front of me that will speak towards that subject. And I think what we'll do in that it is a Work Study Session, we'll go ahead and hear from those individuals who want to address the issue. We have two. This is three minutes each. And we have, we'll start with Douglas Reed.

[Time: 00:02:22]

Douglas Reed: Good evening, Mayor, Councilmembers. I'm Doug Reed, I live at 5585 North 2nd Street in Scottsdale. I'm here tonight to offer suggestions in how I believe the Council might improve the chances of a successful vote on the bond proposals. I'm affiliated with the Tea Party of Scottsdale. I'm not speaking for the group. However, as City Council liaison to the Tea Party I have conducted an informal poll of the members. If asked if they would support some or all of the bond projects or oppose all, the opposed all vote was about 3 to 1. If this is indicative of the city as a whole, and it may or may not be, then we have some work to do. My suggestions include only projects that are absolutely necessary and which are appropriate for long-term bond funding. For example, an off-leash area at $4.8 million is included in the ranked projects. Including an item such as this may very well be important to nearby residents who own dogs but is it absolutely necessary? And its inclusion gives opponents to the entire bond issue a really big target to shoot at. Additionally if your selling point is that all items on the proposal are really important and necessary, including non-critical items lessens your credibility and the trustworthiness for the entire bond program.

Number two, include only projects that have a long useful life. WiFi improvements will be technologically outdated in a few years. It will pay for them for 20 or 30 years. Number three, include only items which are too expensive to pay from the General Fund. Can you justify the proposed $60,000 per bond issuance cost included in the proposal for a $510,000 police station modification or for $600,000 multiuse path? The bond issue is budgeted to be 10% over the project costs. Perhaps these should be considered for the General Fund. I believe two of the major reasons the last bond issue failed is, first, the proposals were separated into groups forcing voters to vote for projects they didn't agree with in order to vote in favor of ones they wanted.

Second, voters bought into the criticism that the City Council could allocate the money in a different way than the voters intended. My suggestion is to list all of the finally approved projects on the ballot, trust the voters, after all we are the reason you are here as Council members. Trust but educate, a play on words from a famous politician. And education, inviting residents to meetings is fine and necessary. But a proactive approach I think is better. Invite yourselves to our meetings, homeowners associations, civic groups, anywhere you can get in front of a group and explain why these projects are important and why bond money is needed. In summary, offer a ballot with individual projects, promote proactively with an honest and complete explanation to the voters, and trust us to do the right thing. Thank you.

Mayor Lane: Thank you, Mr. Reed. Next is Bill Heckman.

[Time: 00:05:47]

Bill Heckman: Thank you, Mr. Mayor. My name is Bill Heckman, 8129 East Aster Drive here in Scottsdale, proudly, for the last 35 years. I was also very privileged and honored to chair the Bond 2013 effort. Unfortunately it went down. I was a member of the 2012. I feel I'm fairly well informed about the numbers involved. You all have a great task ahead of you. I think the failing last time was mostly caused by some very active citizenry who threw up a case of bait and switch, who threw up a whole litany of things that basically had no relevance in fact. The good news is two of those are sitting on the Council now, and that the reason that's good news is I truly believe that you understand the need to invest in our community and that need can no more be expressed from the General Fund than our City Manager's ability to dredge up enough money against the need. We have $3 billion in assets plus in the city. They are depreciated at an average rate over 30 years. Comes out to about $100 million a year. The most recent bond was netted down to $212 million.

As I'm looking at the proposal you're looking at today, you've got it down to about 180 million, about 30-some projects that are under discussion. The reality is that if we do not have a united Council that is strongly advocating and behind this program, it will fail as the last one failed. I just question whether we can really afford to let our streets continue to deteriorate, let our firefighters try to work out of temporary facilities. Our city demands and deserves the best parks, off-leash facilities and other amenities in addition to just the infrastructure needs. And I would hope that this time around you all will be able to wrastle with it that you can agree 100% from day one that you will be out in front of this program and educating the public as to the benefits.

Finally, the whole question of grouping versus line item has been a point of contention consistently. The previous speaker spoke very eloquently about the need to do line item. I personally still favor the group approach for one simple reason. If they're grouped by, like, parks or public safety, there's the ability if one project comes up short of the funding that is approved, the money can be shifted to another related project in the same group. That didn't seem to get a lot of resonance with the last effort to do this. But, in fact, it's the way that all bond programs have been run in our community and most communities for a very long time. We have to structure it very carefully, though, to make that understandable. But, again, my main mission to be here today is we really do need a bond program. We cannot fund it out of the General Fund. And we appreciate it if you guys can all work together to make that happen. Thank you so much.

ITEM 1 – GENERAL OBLIGATION BOND PROGRAM

[Time: 00:09:16]

Mayor Lane: Thank you, Mr. Heckman. That completes the public testimony we have this evening on the subject. So I will at this point hand it over to Mr. Derek Earle.

[Time: 00:09:31]

City Engineer Derek Earle: Thank you, Mayor, ladies and members of the Council. I did note as I sat

down Councilman Phillips looked at me and said, so you're in the hot seat. And it reminded me of a comment earlier today, I was talking to someone in my group and I told them I'm actually kind of excited about this. How often does someone from the city or any citizen have an opportunity to sit down with the City Council face-to-face for potentially several hours to share that time and keep you captive. Of course, the response back to me was kind of an odd look: So why would you want to do that? But I do really enjoy the opportunity to get here and talk to you about our needs and the issues with the infrastructure for the city. I do also appreciate the fact that you've taken the time and also gotten involved outside of just these meetings in looking at the projects and evaluating those as we go through the process. I think that's extremely meaningful. As you know, we did a survey on the bond projects and we had 100% participation from Council and we're very pleased that Council saw the importance in participating in that.

Mayor Lane: Derek, let me just say that I think everybody has certainly been appreciative of the kind of effort that you and the staff have put together in order to communicate this to the best of our ability. Obviously these are projected numbers and projected projects. I'm sure it takes quite a bit of process. And, frankly, turning over to some of us the greater detail on this has been very helpful for us. And frankly to the comments that were made by both the public testimony, it really goes to as clear an understanding as we can have about things that were project that had we need going into the future. It's always an element of some potential change in that. I also know that we all appreciate your optimism with regard to this meeting.

[Time: 00:11:27]

Derek Earle: Thank you, Mayor. This evening I have a very brief presentation and then we'll try to help facilitate a discussion further on the project. I'll give you a brief update of actions the Council has taken since the March 2nd Work Study. I'm not actually going to go through the projects in detail other than to briefly review the list. Then we will forward Council questions that we would hope that you can address tonight and answer. During that period, we will have a specific time during one of the questions we're going to ask Council where you may want to focus your questions that are project specific. We do have staff here. We've got departmental representatives. I believe we have enough horsepower here hopefully to answer any questions that you might have. As far as the March 2nd Work Study Session, we've taken four primary actions. The very first thing, Mayor, you did, of course, note staff did a detailed, actually, it is not that we actually did the detailed analysis, we really pulled together the information that we had available on projects and put them into a summarized format for Council to take a look at. I'll mention more about that in just a moment. Excuse me.

Second thing staff did is we went through the projects ourselves and gave you staff's review of the 34 projects and the priorities in order that we felt they need to be listed. We did create a list of Additional Projects. This was as a result of some requests from Council as far as what's next in that list, what are other projects that might not be in the 34. That list was not as thoroughly studied and vetted as the original list, but there is some backup to that. I'll mention that again briefly. Finally, we did previous the survey for Council feedback on the projects that you responded to. As far as the additional details, of course, you saw the book. Council saw the book. You may or may not have noticed, we actually structured it similar to your City Council reports.

Basically we started with project details, then did a staff analysis and assessment of that, trying to identify key areas of the project that we felt were important. Then, of course, the impact, resource impacts, what's it's going to cost, what's it going to take for staffing and then supplemental information like maps and pictures to back it up. We did get help of the in-house staff to prepare this in a more legible format. I appreciate the Capital Project Management staff, many of them behind me, that really took a lot of time to prepare this book. The projects, again, Mayor and Council, I will not go through them in detail.

This is the list we presented on March 2nd. I will move through these. We will have an opportunity to revisit this. As far as staff prioritizing the projects, we use seven criteria that staff uses annually for the capital improvement projects. These are the seven criteria. They may, most of them may be intuitive. A few of them may be on the confusing side. They are fairly intuitive in terms of the benefits to the city. Things, for example, annual recurring costs, we've got to be cautious of projects that will bring an additional operating budget and whether we are prepared for that or understand the impacts. Health and safety effects are key for the city to focus on. Clearly community benefits. And you can go through the rest of the list and really understand and then ending on Number 7, it is important that all of the projects we focus on support the Mayor and City Council's broad goals. Obviously, it wouldn't make a lot of sense for staff to prepare projects that weren't both consistent with the General Plan and City Council's goals and objectives.

[Time: 00:15:16]

Mayor Lane: For just a quick moment. They all seem pretty clear to me, Derek. I wonder if we're not also looking at, and I was just trying to determine whether project feasibility, I'm sorry, implication of deferring the project is not an assessment of need. When I think about that, I think about some of the arguments and discussions we had before about the fact that we have depreciating assets and that we have actual capital infrastructure that we may be adding some and frankly we may be fixing some or replacing some. But to the point of that particular use of that word "need," is that implied in implications of deferring a project?

Derek Earle: Mayor, that is correct. The implication of deferring a project would simply be is the project or the asset going to fall apart if we do reinvest in it or what could happen if we don't reinvest. A street could fall apart. You could have accidents. Not to use an example but a parking garage could potentially fail if you don't reinvest in it. But those are the types of things, the implication. It is staff's best estimate if we don't invest in this, what are the future implications. More costs to replace it. Potential failure of that. Accidents. All those types of things.

Mayor Lane: Public safety is obviously one of the items, health and public safety effects. I certainly understand that. But it seems like we're taking a little bit of some of the opposite approach when we talk about implications of deferring the project rather than the projected needs of full replacement. I guess I was looking for that word "need."

Derek Earle: Mayor, that's, I guess I was trying to explain it. But that is correct. That is essentially the

need for the project. That's the need for replacement of the infrastructure.

Mayor Lane: Thank you. Pardon me for interrupting.

Derek Earle: As I had mentioned, staff listed and prioritized the projects. This was the staff, obviously I did come prepared with my eyeglasses here, too. You don't need to spend a lot of time on this. This is the staff ranking of the 34 projects from Number 1 through 34. As you went through your book, you'll note there was a note on each of the pages on where staff ranked those 34 projects. This information was available to you. This is more for demonstration than anything else. But of interest, the very first project was basically the Indian Bend Wash rehabilitation which Council also saw as an important project. When you look at the lowest priority from the staff perspective, you see a couple of very, very small street projects and the infamous off-leash area at Number 33. The Additional Projects, as I had mentioned, staff prepared a listing of projects that are basically next in line that are projects that are needed. These address other issues such as potential needs for Cultural Council or other needs that are less critical. We see these as important in the next three to five years and these projects will be back in front of Council as important projects. We did not prioritize them, they are just not urgent in terms of need today.

[Time: 00:18:47]

A few things as we go into the discussion section of this, election considerations, clearly the year that we hold the bond election has significant implications. If this is held on an even year, in essence, you will be competing with federal, state, county, city and school district elections. At this point in time, we know that 2016 will have significant elections. School district has potentially considered a bond election in 2016 and, of course, we will have city and state and federal elections. On the other side of the coin in 2016, we recognize that may be a lower turnout. There may be implications to that as well. This is clearly a policy decision on when this is held but we just want to point the key thoughts that Council want to keep in mind as we look at the year.

Next steps, again, we can talk about this in detail later, but if we do a 2015 election, staff will move very quickly to prepare the call for election and ballot language. We would really like to get that in front of Council in May depending on the availability of resources, legal resources, Clerk's office, et cetera. It's a somewhat complex process to create the ballot language and to present that to Council. But we would move very quickly. November 3rd would be the election date.

If Council considers 2016 as an election date, we would like to see if Council has any suggestions or considerations for working through the next year on ways to improve the program. For example, should we focus on public outreach. Would Council consider perhaps forming a subcommittee to review the projects? Or would we consider a series of Work Study Sessions? These are questions because we don't know the answers. We don't have recommendations. We'd just like Council consideration if you choose the 2016 option. With that, we go to discussion.

There were four, these are not exactly the four questions, they are slightly rephrased for this study session. Question 1: Should the consider holding a General Obligation Bond Program? The consensus

was yes at the last meeting. The second question, if so, what year? The consensus or the discussion was either 2015 or 2016. There was no discussion on either date. And then the two more detailed questions obviously concerning the bond program. Our recommendation is that Council addresses this question initially. If this is a 2015 election, then we will focus on the projects following that and what the program would look like. If Council chooses to go to 2016 instead, we would probably save ourselves a couple of hours this evening and focus more on what shall we do over the next year to prepare if it goes to 2016? Staff's recommendation is to start with discussion on that question. With that, Mayor, I'm open. And I'm sure you are anxious to see the results of the survey. That would be following question 3 which would be the next question we would be asking.

[Time: 00:22:03]

Mayor Lane: Thank you, Derek. I know we will be continuing this conversation. I think one of the thoughts we had in the last meeting was that depending upon how we were to be able to bring this information together, we would consider between 2015 and 2016. If we're looking at it right at this moment and we brought it together, we've gotten some great information from staff and there is an investment of time to do it at this point in time, we have it in front of us and to be able to make this determination.

If we have a successful, if we have a successful meeting this evening as to some level of agreement that we can give consensus of direction to proceed on this question here with a specified, or at least a determined list of items that we'd like to have on that bond election, I think that would be the determining factor. But I'm certainly hope to hear anyone on Council if they have a different feeling about that. The reason I say that, I'm not sure if I want to address this until we see how we come together, if anybody's got some thoughts on that. Anybody else have any thoughts? David? Councilman Smith?

[Time: 00:23:25]

Councilman Smith: David's okay. I guess I would like to give a direction for 2015 election. The one thing we debated among ourselves last time we discussed this, I guess, in March was that there might be a cost penalty to having a special election. But I think the Clerk clarified for us that given the ballot structure and whatever in 2016, in all likelihood the cost would be the same between the two years. So my thought back in March when we discussed this was 2015. And my reason for saying that was just the urgency of the need and the fact that we, I think we all are in agreement that we should be reinvesting more in our capital assets. And I would like to put this question in front of the voters as soon as possible and not all tangled up with the politics of 2016 state, national, local, whatever. So if you're looking for opinion, I would still be of the opinion that we should be giving direction for 2015. Thank you, Mayor.

Mayor Lane: Fair enough. And I think that's probably certainly a valid point to at least dismiss one of the items on our checklist of items to consider and that is the cost of a 2015 versus a 2016. And I think we probably all have been informed that's either neutral or, yeah, probably small deviation between the two in the way of cost. So that's one item I suppose that's down on that. Councilwoman Korte.

[Time: 00:25:09]

Councilmember Korte: I, too, support 2015. We have heard so many individuals speak about the need to have the number of questions spread out to allow for some better discernment on those projects. And a 2016 ballot I do not believe will allow that because of space. I think our city Clerk has given us that information prior to that. So for that reason, 2015 seems to make more sense to me.

Mayor Lane: Okay. Rather than punt or considering after we make some determinations as to the list of things, and it may be. I mean, we've got two thoughts on this right now. I would have to say there is probably a little bit more direction and maybe even a little bit more effort expended upon the effect if we are looking toward a date, a more current date than a later date, if that's the direction that the Council would want to go in doing something immediately, attending to it immediately. I'm talking as far as the selection of the projects and the total list. Yes, Councilman Phillips.

Councilman Phillips: May I ask the Clerk if that's correct, it will cost this much as next year?

[Time: 00:26:39]

Carolyn Jagger: To clarify, if there was enough space on the ballot in '16, the cost would be minimal. But if there is not enough space on the ballot in 2016 for all the questions and the city had to go to a two-page ballot, then the cost would be equal.

Councilman Phillips: How do we determine if there is enough space? Is that first-come, first-served?

Carolyn Jagger: No, sir. We are last on the ballot. It really comes down to the county advising us how much they can fit on. They've told us they could probably get eight questions on the 2016 ballot give or take two questions depending on other things that might need to be on the ballot as well.

Councilman Phillips: So 8, give or take, which could possibly be two which is a fair amount of questions at the most. I'm still in favor of 2016. I don't think we should be holding a special election. What was it, $500,000?

Carolyn Jagger: Roughly half a million.

Councilman Phillips: That would pay for 20, that cover for one of the bond items just by waiting. I'd say 2016.

Mayor Lane: Thank you, Councilman. Let me just, I suppose in further clarification of maybe the possibility or the prospect that there would be a two-page ballot, it seems to me last year, or last election, I should say, when we were on the ballot in the November election on an even year, did we not run into that issue?

Carolyn Jagger: The last time I recall a two-page ballot was in 2008.

Mayor Lane: Okay. Then it's not then. Okay.

Carolyn Jagger: But it was a concern, Mayor, I know what you're remembering. There was a concern when we did all of our charter amendments. And what we chose to do, what the city chose to do was to split the charter amendments and do them over several elections, so there was not enough room to put all of the questions on the ballot in 2010. So we had to wait until 2012 to finish up the charter amendments.

Mayor Lane: Unless there is any other comment on this, we'll go with the punt and work our way through some.

[Time: 00:29:17]

Councilmember Korte: Mayor, may I ask the Clerk. So we have in 2016, we would have the possibility of either ten questions or six questions or eight. Six to ten questions.

Carolyn Jagger: That's correct.

Councilmember Korte: And there's a probability that we would need to go to a second page on that ballot.

Carolyn Jagger: Correct.

Councilmember Korte: How does that impact the returns, a second page? How does that impact the voter returns on those items?

Carolyn Jagger: When you go to a two-page ballot, it's always got the potential for voter confusion. It is greater when there's candidates on the ballot as well because the city will be put in the position of whether everything that's the city's goes on a separate ballot or whether we do a split ballot. Potentially the candidates that would make sense to me, that the candidates would want to be on the same ballot as all of the state and federal and local candidates. They'd want to be on that ballot. So we would have the candidates on one ballot and the questions on the second ballot. When that happens, the potential for confusion and voter dropout really increases. It's something that I would, if you ask me my opinion, I would recommend against doing. There is the potential of people voting one ballot and not voting the other ballot. When they go to the polls, there's the potential of voters having to vote in two separate locations because they would be given one ballot that had everything on it and then the city's ballot. So it creates some problems for the voters. There's no doubt about it.

Councilwoman Korte: Thank you.

Councilwoman Klapp: Mayor?

Mayor Lane: Hold on one second, Councilwoman.

Councilmember Korte: I would like to express what I believe is an important decision that we need to make, whether it is 2015 or 2016 before we move forward because I think that timing is going to impact how we look at these projects and move forward with them, if we're looking at these to move forward in ten months, less than that, eight months. I think we would look at them differently eight months versus 20 months, whatever that is. I think that's a decision we need to make before we move forward. I don't want to punt. I don't want to punt.

Mayor Lane: We'll at least take it to individual assertion to whether it is 2015 or 2016 at this point in time. With that, thank you, Councilwoman, Councilwoman Klapp.

[Time: 00:32:26]

Councilwoman Klapp: In our last discussion, I preferred 2016. However, I would consider 2015 if we are able to take this list and pare it down to the absolute critical items and only those items would go on the 2015 ballot. That would be my deciding factor. I think 2015 could be an okay time period, but we've got to be very serious with the list. These need to be necessary projects or critical projects, that we can stand behind them, we feel it's necessary, they need to be on the ballot now and we can support them. But that would then mean if these projects passed in 2015, we could look at a future ballot for the balance of the projects so we wouldn't be faced with having a two-page ballot but yet we're presenting to the voters only those items in 2015 that we feel are critical to the City of Scottsdale.

Mayor Lane: Thank you, Councilwoman. To understand sort of the qualifying agent as far as the 2015 date. I would just add to that, if we are going to take an approach to this, we can always change the direction. But if we are going to take an approach at how we look at this right now, I think I would take the approach of 2015 with somewhat of the same qualifiers as Councilwoman Klapp has mentioned but we reserve the right, as we always do, if we decide we need to change it for whatever reason, let's just take, my suggestion is to take the approach on it. So I'm moving away from the punt to a qualified 2015. Councilwoman Littlefield.

[Time: 00:34:25]

Councilwoman Littlefield: I would go with either date. I wouldn't say don't do it because it is 2015 or 2016. I would prefer personally to do 2015. The reasons for that are much like Councilwoman Korte said. You will get a better response. You won't get as much confusion. And if you are going to have a bond issuance for the voters to vote on, you want them to come out and vote. If the cost is the same, then that's kind negates any concern with that. I think that the voters as Councilwoman Klapp said a bond package that we as the Council deem important and let them come out and vote and know what they're doing and not be influenced, if you will, by other issues that may affect their vote on this such as school bond election or a county election or anything else. Do you want to have a bond issue to upgrade our facilities and infrastructure? Yes or no. These are the items and you vote for them. I would prefer that.

Mayor Lane: Thank you, Councilwoman. Just for clarity sake, 2015, November 2015, has other issues

on that ballot. Do they not?

Derek Earle: Mayor, I'm not aware of what other elections will be on that ballot.

Mayor Lane: Nothing else on that as far as.

Derek Earle: I'm not aware of any at this point.

Mayor Lane: Okay.

[Time: 00:36:11]

Vice Mayor Milhaven: Since I'm often the lone voice. I would like us to move forward with the 2015 timing but I reserve the right to change my mind.

Mayor Lane: All right. That's pretty decisive as far as the tack we're going to take on it. We'll take the approach certainly with the qualifiers that have been talked about. This is something for us to consider, of course, in this decision but the direction sort of toward the 2015. So let's think positively how we accomplish that here tonight with that date in mind.

Derek Earle: Thank you, Mayor. If that's the case, I will at least move into the next section and talk a little bit about the projects.

Mayor Lane: Yes. Councilwoman.

Vice Mayor Milhaven: Derek, before you continue, I've gotten lots of questions from folks around how a bond process works which causes folks to ask a lot of questions. And so I thought, sorry, Mr. Nichols, to put you on the spot. If you could maybe just spend a few minutes explaining for folks how the bonds work and some of the questions I've gotten are things like when do we issue bonds in relationship to when the project is done. Like the road project is 140 miles, do we issue bonds for the total amount or do we do it in segments? There's $60,000 worth of fees for the bond issuance but folks have questions around, well, why is a $2 million bond have the same fee as a $10 million bond? I understand some of it has to do with spread the bond. But I think folks would like to understand that. And then the other question I've gotten a lot is the use of the asset versus the term of the debt and matching up the life with the term. If you wouldn't mind, sorry to put you on the spot, if you could explain how bonds work so folks have an understanding before we get too far into the projects, that would be helpful.

[Time: 00:38:12]

City Treasurer Jeff Nichols: Certainly, Mayor Lane, members of the Council, Vice Mayor Milhaven. We would look to the Capital Management group to do a cash flow analysis and determine what time is the best time to issue the bonds because in the beginning of the projects there will be design costs and minimal costs in relation to the project. So we can probably absorb some of those. And then we would time the issuance of the bond with relation to the cash needs once the projects were up and running.

So I would imagine for a program, let's just pick a size, let's say if it is a $100 million program and we were going to do maybe three bond issuances of $33 million apiece, we would separate them accordingly and we would use some of the cash we have in the bank from our reserves and we would fund those projects with cash in the beginning. When we did the bond issuance, we would reimburse ourselves those expenses and then pay for the balance of the bond projects. That's the first question you had. I'm sorry, could you repeat the second?

Vice Mayor Milhaven: What if the project comes in less, and what if the project comes in more than estimated?

Jeff Nichols: That's where it gets tricky, Derek, please correct me if I'm wrong, these aren't designed to 90%. I mean, these are designed at a very low level. So these are the best estimates staff has right now as far as building these projects. If, in fact, you get into a design phase and, let's say, they voted question by question and you went out and took bids and the bids came back and they were all above the amount that we had to build the project, we would have to find alternative funding sources, be them General Fund, if it was a road project, transportation fund, and cover the shortage.

Vice Mayor Milhaven: Or scale back the project.

Jeff Nichols: Or scale back the project. Depending on the type of project, if you are building a roadway and it is five miles, do you then only build four miles? I mean, I don't know what the alternatives are. I would leave that up to the engineers.

Vice Mayor Milhaven: Or not do it, right? The option is find alternatives, scale it back or don't do it.

[Time: 00:40:42]

Jeff Nichols: That would probably concern me more if we went out to the voters project by project and they approved the bond projects and then we couldn't deliver those projects, I would have concerns with that. By bundling questions in like-type projects, what you do is you give yourself the flexibility that if a project, let's say, is budgeted for a million dollars and you can deliver it for $800,000 and you have $200,000 left over, another project you had budgeted. again just using figures for $1 million, and we came in at 2, we could come back to Council and complete both the projects instead of not doing one project and only doing the one that we could afford.

Vice Mayor Milhaven: We don't have the freedom to come up with a new project. It would have to be the project that's included in the bond question.

Jeff Nichols: Mr. Mayor, members of the Council, Vice Mayor Milhaven, that's correct. In the past when I have been involved with these, and I haven't heard discussion of this, we also had a citizens commission that staff would go to. They would go in front of the commission, make their case on why they wanted to move funds and then that commission would make a recommendation to the City Council to either accept staff's recommendation or not.

Vice Mayor Milhaven: Then the other question was around the fee. There's a $60,000 bond issuance cost. I want to know why the fee would be different based on the size.

Jeff Nichols: I'm looking at Mr. Earle and he's indicating……

Derek Earle: Mayor, Vice Mayor Milhaven, when we looked at this bond program, one of the things that had not been done previously is looking at the entire cost of the bond program. That includes not only in our world the hard construction and design costs but it also includes the cost of issuance. Typically on a bond issuance, if varies a little bit on size but you can run upwards to half a million dollars for a potential bond issuance. What we did on the budgetary basis so we would not lose that is we took numbers and plugged them into the budgets so that the projects, we were accounting for that. I believe what you're seeing is probably, we probably didn't do as good of a job as putting them in proportional to the project size which probably would have helped in your decision-making. But across all of the projects, there's stuff funding to account for potentially we think about three bond issuances where there could be some more, fewer, depends on finance needs. So I do apologize. That is probably not as clear as it should be. There is not on one project a cost of issuing that bond. It's for issuing a series of bonds that go and fund a series of projects.

Vice Mayor Milhaven: It is an average across all the projects?

[Time: 00:43:34]

Derek Earle: Yes. Apparently it probably didn't average quite well if someone showed the same number on the big project and small project. I apologize for that. But it was an effort to try to be sure that we were capturing 100% of the program and not avoiding hidden costs like that. Yes, we could probably go back and adjust those budgets and make it proportional to each of the project sizes. It might be more intuitive.

Vice Mayor Milhaven: At the end of the day, we only issue bonds to cover the actual cost. So if the project is approved for ten and it only costs eight, we only issue bonds for eight.

Jeff Nichols: That's correct.

Vice Mayor Milhaven: The last question, can you speak to the useful life of the improvement versus the term of the bond?

Jeff Nichols: We normally sell, the term of the bonds we sell are 20-year bonds. That's been the city's historical perspective. We look at it, when we say 20 years, that's maturity over 20 years. So when you look at the average life of the bonds outstanding, it's about ten years. That's shorter than the useful life of most of these projects. And so it's probably a conservative approach as far as funding the projects, but I wouldn't want to go much past 20 years as far as funding the majority of these improvements.

Vice Mayor Milhaven: Mr. Reed made the comment at the front about trying to fund some of these shorter-lived projects from annual operating funds. We know that our operating funds are tight but

we've also not taken the 2% property tax increase year over year. I don't know if we can answer it today. But I'd be curious to know if we resumed the 2% property tax increases, would that be able to fund some of the shorter-lived projects like radios and WiFi that we know will have a short-term. If we started taking, if we resume taking the 2% now, would that be sufficient to fund these needs? I think that's a better matching funding source. So maybe that's a question you could follow up with that we resume the property tax. I am not sure I want to advocacy recouping five years. That would be a 10% bump for folks. I think resuming the 2% might make some sense. Maybe we could in a future conversation, look and see what the impact of that would be in terms of some of these shorter-lived projects. I appreciate you taking the time because I think folks had a lot of questions about how bonds worked. Thank you.

Jeff Nichols: You're welcome.

Mayor Lane: Number one, very good questions. And I think they've been sort of asked and sometimes explained a number of different times. Frankly, it is not an easy topic to necessarily impart to the general public on an ongoing basis. It is well-said and well-done as far as that's concerned. The only caveat I would say to anything that was mentioned by Vice Mayor Milhaven is if we did do something with the 2%, that's another issue for another time, it would really be the matter whether we had the legal right to dedicate those funds to some kind of reserve for just exactly that reason. I think that's probably something that's within our realm or not. Nevertheless, that would certainly be imperative if that action was going to be taken. Councilman Smith.

[Time: 00:46:54]

Councilman Smith: Thank you, Mayor. One other question we might deal with up front, Derek, is the life of this program. I think it's important for voters to know this funding we think will be spent over one year, two years, three years, ten years, whatever. Because I don't want them to think if they pass this, then we'll wait 13 years like we did for the last one to come back again.

Derek Earle: Mayor, Councilman Smith, that's correct. When the Bond Task Force looked at this, they used the same criteria. The criteria we focused on is projects that can be initiated with a three-year period. And "initiated" is a broad term. That means putting it at least at a minimum into design with the goal being to complete all projects within five years. Clearly when we issued $358 million in 2000, there were a lot of reasons that took a long time to execute that bond program, a lot of different reasons. But, in essence, that turned out into a 10 or 12-year program. This program that we're looking at, depending where we end up tonight, would likely be a three-year program with it completed in five years.

Mayor Lane: Thank you, Councilman Smith. Thank you, Derek. So I'm not sure if we've interrupted some thinking that, or direction you were going to go. If we were going to move to the proposed bond projects and how we rank them.

Derek Earle: Mayor, if it would please the Council, I will just do a very brief review of the rankings. When you sat down tonight, first of all, there are a couple of, it did show up. I was a phrase it wasn't

going to come in there. We put this in hard copy on your desk tonight. To begin with, this is the raw results of the Council analysis of the bond programs. You were emailed this actually twice. I do apologize for the correction that we made. But we did be sure everybody's results were accurate. This is essentially how Council analyzed this. When you look at a group of responses and 34 projects, the very first question is: How do you analyze this? How do you figure out what Council was trying to tell us? We used two statistical measures weed look at. One is the mean. The mean is simple. It is the average response. What we took is the three responses that you could have made, should be a bond project, could be, or should not be a bond project and we assigned a number to it, 0, 1 or 2. When you calculate the mean, you take each Council person's response, convert it to a number, add them all up and divide by 7. That's the mean. It is simple arithmetic mean or average. The second item, the second measure that we use actually has a little bit more relevance when we are looking at this number of projects, this number of responses, which is actually a smaller number. We call it the mode. The mode statistically speaking is the number, the ranking that got the most responses. So let's say out of seven Councilperson responses, let's say we got three responses at a 2. We got two responses at a 1. And two responses at a 0. The mode is 2 because that occurred the most out of those responses. It's especially important when a group in a body like this looks at those because of the fact that you operate in a mode of consensus and majority. Looking at the mode is very instructive in terms of a statistical measure. As we took the projects and your responses, we calculated the mode and the median. Then we went through a sorted exercise. The colors don't show very well on here. The sorting exercise, we sorted them first by calculating the mode, which is the number of responses, the highest number of responses each project got.

[Time: 00:51:17]

And then the mean. So if you look at this ranking, this is statistically valid. This is Council's ranking of those projects from 1 through 34. You do have this in hard copy. And we did place copies out for public availability as well. What you don't see on here is the colors very well. About the top roughly half of these projects had a mode. Again, mode means that's the most often that answer was used of 2, which is should be a bond project. If you look at this, I guess I can see, I'm going pointerless today. If you look at the column that says mode and follow that all the way down on the 2s, all of those have been and going to the left, all of those projects have been highlighted green because, in essence, the statistics say that you agreed that those 20 projects were the most important projects. The next group of projects are yellow. And, again, you see this better on your hard copy that I handed out. It was on your dais, if you haven't looked at that yet.

The next group of projects are yellow which really kind of fell in the middle. These are projects that some Council persons believed were extremely important, some believed they were not as important. The project towards the bottom really seem to have a consensus of not being important, 30 through 34. So as Council reviews these projects, there's some very, there's some really simple ways. Again, we do want the opportunity for Council to ask project-specific questions. But as we go through this, our suggestion is to try to lead you through a process of looking at the group of projects that are most likely Council can agree on. Let's just say Council agrees that the top ten or top 20 projects are most important and for Council to generate consensus on that, then those become solid projects. Then we look at the red projects at the bottom. Those there seems to be a consensus not to include. And if

Council can reach consensus on that, not to include those projects, then our discussion can really be focused around that middle group of projects plus any of the Additional Projects that fell on a secondary list. It feels like it is a complex project, process to do this. But if we were literally to go through 34 projects and try to get seven opinions on each one, we would probably be here quite late.

So my suggestion, Mayor, let me move forward before I finish this and show you the other two charts. The next chart are the Additional Projects. These were the list of projects that staff said we're less prepared. Not that they can't be executed. They are fully available for bond funding. We had less detail on these projects. Staff ranked these projects the same way as the others. In the same way, Council reached consensus on these projects. It was different obviously than the first sheet that we looked at. But we've got, basically, two sets of projects to look at. I'll go back. Mayor, the best thing I can suggest is to consider whether the first 20 projects which all essentially received the strongest vote from Council to consider as part of the bond program, one simplified manner might be for Council to consider whether those projects should be part of the program without further discussion.

[Time: 00:55:17]

Mayor Lane: Thanks, Derek. I think there's certainly a logical approach to that. I'm not sure since the mode indicates the largest number within the group to go for the "should be" category of items. I would think it's almost automatically an assertion of consensus on that. I realize we are still here to talk about that.

Derek Earle: Mayor, I don't mean to interrupt. But, yes, you actually are correct. When you calculate the mode, that means that at least three Council members said that should be a 2. When you actually look at the map, all but the bottom two or three had at least Council members rank that as a 2. I apologize for interrupting.

Mayor Lane: That's quite all right. Before I go any further, Councilwoman Littlefield, do you have a question or a comment?

[Time: 00:56:11]

Councilwoman Littlefield: Just a comment. As I was going through some of these papers that we had received before and we had not gotten this other set of analysis, I had kind of done a similar study of the projects and had looked through the 34 questions, just looking between those projects that had received a sum of points and the point structure was you could have 0 points if you did not want the project, 1 point if it could be listed and 2 points if it should be listed. So for seven Councilman, if we all vote it had should be listed for a particular project, that project could get 14 points, 7 times 2. I was looking through this trying to do exactly the same thing that you have been trying to do, finding a consensus on the Council of projects that we all kind of agree are important to Scottsdale to accomplish and to put on a bond package. And I came up with 16 projects. Those projects received total points of between 10 and 14. And of that, it's about $81 million, $81.5 million. So I've done kind of the same thing. I also looked at the bottom number of projects which I noticed were the same as some of the ones on the bottom there, projects that received 0s through 5 votes. So, in other words, some of us

didn't want it at all. And that was a total of $21,700,000 that we could consider taking off and saying, okay, now all we have left are the middle which is kind of exactly what you did. But I was going more from, not from the mean or the mode but from the sum of the vote because it took into consideration more of that "could be" category as opposed to the "would be" or "should not be."

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

Vice Mayor Milhaven: I looked at it the same way Councilwoman Littlefield did. Looking at the top 16 projects that were the largest sum, I am acceptable to including those first 16.

Mayor Lane: Thank you, Councilwoman. Something as we look at the numbers between the mode and the mean, I'm wondering whether or not there isn't some bit of cross-over. Yes, we have as we indicated they would have at the very at least three that should be. But the could be's that could add to obviously the mean impacts the lower end of the green group if that's what color that is out there. But, nevertheless, and I look as it starts on project, well, the Council ranked 15 item, it has the mode of 2 but it has a mean of 1.286 versus projects that 21, it goes back to a mean of 1.429. I don't know whether that's relevant other than an indication of at least a level of acceptance for those items that are within that mean that's higher than the overall, those items that are included in the mode. It sounded like gibberish to me even as I said it. I hope you are understanding at the very least the mean is an indication of some level of acceptance that sometimes exceeds the mean on some of those items……

[Time: 01:00:12]

Derek Earle: Mayor, that's absolutely correct. The mean is a very important measure. It is a part of it. And the analysis that Councilwoman Littlefield and Milhaven just suggested, if you look at the numbers, they really bear that out because the top 16 projects all have at least four Council votes or Council rankings of 2. So their analysis is correct. Mayor, where you were talking, the mean plays into it when you look at the projects that tend toward the middle, right between the green and the red. So there is no rocket science, no magic. It is your best guess and your best ability to generate a consensus on those projects moving forward. So I'm not either supporting or taking away the positions that were stated. But those are accurate in terms of their analysis.

Mayor Lane: As I said earlier, there's a couple of different logical approaches as to how to analyze this. That's what we're here to consider. We want to utilize what you put before us before the meeting as a means to work our way through this. I suppose what I would start with, for those of us that may be concerned about the dollar amount of what we're talking about here. Incidentally the 34 or 179 million, the 172? I guess what I'm wondering, for the first sixteen…..

Derek Earle: Mayor, can I point out something. I usually don't like to jump in front of your question. But I thought this might be helpful. On the sheets that you were provided, understanding those were new to you this afternoon, we were analyzing it up until about an hour before the meeting. There is a column that says cumulative cost to the program. If you follow that down and you were to say choose project number 16, number 20 as a cut-off, you can look to the right into that column and actually see what the cost of the program would be at that point. I apologize, again, for interrupting.

Mayor Lane: No, that's quite all right.

Councilmember Korte: Excuse me, Mayor. However, if you use the criteria that I think has some validity that Councilwoman Littlefield suggested, it takes those out of rank. It changes the order. So you got your calculator going, okay? Could you go through those, Councilwoman Littlefield, your 16?

Councilwoman Littlefield: The first one is renovate the Vista Del Camino Park from McKellips to Thomas Road. The second one is upgrade chemical treatment systems for four city aquatic facilities. That was one that got all 14 points, by the way. The third one is install energy efficient sports field, number 3. The fourth one is number 4, replace aging rest rooms, maintenance and storage buildings at the four city parks. The fifth one is replace outdated irrigation systems. The first five items on the list are the first five items on the list. Then number 7 is the next one, replace 140 miles of deteriorated pavement on the city streets. Number 9 is the next one, design and build fire station 613, Desert Foothills. The next one is number 10, design and build fire station 616, Desert Mountain. The next one is number 12, expand and renovate the Civic Center jail and police station. The next one goes down to number 17, improve flood protection near Indian Bend Road and Lincoln Drive. The next one is 18, improve the intersection of Hayden and Chaparral Roads. The next one is 21, widen Happy Valley Road from Pima to Alma School. The next one is down here, 26, improve Highland Avenue intersections at Scottsdale Road and Goldwater Boulevard. The next one is 27, improve and repair sidewalks in downtown Scottsdale. The next is 32, replace energy control systems at five city buildings. And 33, improve WiFi in public buildings. And those are the 16. And they total $81,410,000. Or 81 1/2. Those are the projects that received from the Council the highest number of points again from 10 to 14.

[Time: 01:06:04]

Mayor Lane: I suppose it is a matter of, gets down to some of the individual projects whether we take that approach or whether we consider the one that you've outlined here. I think, number one, I suppose we should probably look at the differences between the two.

Derek Earle: Mayor, I kept track of Councilwoman Littlefield's work here. The top 14, and I'm looking, I'm using again the ranked projects list I've got here. The top 14 projects, fully agree in terms of the list that staff calculated is ranking. I think Vice Mayor Milhaven may have mentioned the same thing. The top 14 agree, two projects that don't are a little bit further down the list. Those could be addressed. That could potentially be a start for your consideration, the top 14 as staff has listed up here seems so far to have some…….

Mayor Lane: If I might ask, what are the two that are not included?

Derek Earle: Mayor, the two are the install energy efficient sports lighting field and the improved WiFi were the two that….

Mayor Lane: Included in the 16?

Derek Earle: Yes, those fell on the staff analysis, not the staff ranking but the staff analysis with the Council results, those fell at number 21 and 22 on a ranking order. They were project number 3 and 33.

Mayor Lane: Under the mode approach, they're not in the top tier, if you will.

Derek Earle: No. They would have been down, those two projects would have been in the 21 and 22 range. Again, they may be worthy projects. I don't want to suggest they are or are not. But what I do hear so far is an analysis is the top 14, whether you look at the staff analysis or Councilwoman Littlefield's analysis, the top 14 projects may be potential for you to start as far as saying you have a group of projects you agree on. I'm not, again, trying to push it either way other than to suggest you may have some early consensus there.

Mayor Lane: Councilman Smith.

[Time: 01:08:49]

Councilman Smith: The mean that Derek is using is identical to the number that Councilwoman Littlefield is using. It's just hers is the gross number and his is the gross number divided by 7.

Mayor Lane: The items that drop off the 1.429 we are adding 1.429 to that. We're working, if you look at the mean, we're working with exactly the same assessment of this. If we were on the basis of both of those sort of looks, now we're looking at the mean rather than the mode entirely, if there is a consensus of opinion and an acceptance, we might be able to consider whether these are items we would accept. If there's some conversation on that, I'd like to start with that thinking, if there is some comments about those top 16 as have been identified by the mean. Of course, they fulfill the mode as well. Anybody want to offer a thought about whether that's something we can start with? I guess what I'm saying is the 16, using the 16.

Councilwoman Littlefield: I'm fine with that.

Councilmember Korte: I'm fine with 16.

Mayor Lane: Councilman Smith?

Councilman Smith: As a start.

Mayor Lane: Councilman Phillips.

Councilman Phillips: I'm not really for this bond so I can't really be for any of them. So I think I will be out of the consensus.

Mayor Lane: I certainly go along with the consensus on this batch. The conversation doesn't end here, nevertheless, at this point. As I'm looking at this 16, there's nearly 40 some million dollars if I'm not mistaken. What is it?

Derek Earle: Mayor, that would be $81,410,000 for that group of projects.

Mayor Lane: For the 16. $81 million?

Derek Earle: Yes. Mayor, if I may, we knew this discussion may come up about the mode and the median and those types of things. I do have a listing of those projects literally using the mean which is the same as the total calculation if that would help Council as a tool to work with. Statistics can be not much fun. It wasn't my favorite college course.

Mayor Lane: That is not a worksheet we have in front of us, though.

Derek Earle: Mayor, I have it available. I can pass that out to Council.

[Time: 01:11:40]

Mayor Lane: Let's go ahead since we're working with the first 16 under the mean approach, not just nasty but mean. I'm sorry. Yes, thank you very much, Councilwoman. Suzanne, in that little survey, I didn't ask for your thought on that. Are you with the consensus or oppose it? I know it's been pretty boring to this point in time. Suzanne, are you still with us?

Councilwoman Klapp: Can you hear me now? I had my phone on mute. Sorry. I followed the conversation except for, and I agree with, first of all, I agreed with the analysis that was done similar to what Councilwoman Littlefield and Vice Mayor Milhaven did on looking at the sum of the votes. That's the way I looked at it also. And so if you're saying that the 16 we're agreeing on is the 16 that are on this list that was in front of us from the staff or are we going with the 16 that Councilwoman Littlefield ticked off on her list? That's where I lost you. I wasn't sure which 16 we were talking about. Because she had two items on her list that were different than a couple of the items that were on the list that was provided by the staff.

Mayor Lane: I think what we've more or less have transitioned to is evaluating these and ranking them by the mean which directly corresponds with Councilwoman Littlefield's approach to it.

Councilwoman Klapp: I'm fine with that.

Mayor Lane: That would be the consensus with one exception of Councilman Phillips. So if we start with that grouping, then we would possibly look to the next group according to the same measurement and that would be the mean. Any thoughts on that from any members of the Council? I don't mean necessarily to include or otherwise but within that group.

Vice Mayor Milhaven: Mayor, looking at that list below that line, I would like consider adding fire station 605 which is item 23. I'm sorry. It is ranked 23 on the most recent sheet he handed us.

Mayor Lane: Right, yeah.

Vice Mayor Milhaven: Item 24, public safety vehicle training track. 25, the disaster recovery technology infrastructure. Fire station 603.

Mayor Lane: Councilwoman Korte?

Councilmember Korte: Mayor, I would like to consider the addition of the ranking number 17 of adding bike lanes on McDowell Road and also number 16, leveraging matching funds to improve roadways in the Airpark.

Mayor Lane: Yes, Councilman?

Councilman Phillips: Was 26 on the list of your items, the Thompson Peak bridge?

Mayor Lane: No, it's not, it was in the original mode of yellow.

[Time: 01:15:46]

Councilman Phillips: Thank you. I think if you were going to have a bond, that should be included because that was in the 2000 bond. That was approved by the voters and we never built it and they've been waiting 15 years now. So I think we owe it to them to put that bridge in.

Mayor Lane: Okay. That then is an indication of an item that would be added to the original group. Anything else, Councilman?

Vice Mayor Milhaven: That's number 26. Can we confirm that? Was that in the 2000 bond?

Mayor Lane: It's been sitting out there as a single bridge.

Derek Earle: Mayor, Council, I would really prefer to check the records on whether that was in there. We had quite a few roadway projects. That doesn't strike a bell immediately, but I would prefer to confirm that. We may be able to, I may check with my boss and see if he has any recollection since he was here. We're checking on that. If we could defer a response, if we could have you an answer shortly.

Councilwoman Klapp: Mayor, I have a question.

Mayor Lane: Certainly, Councilwoman.

Councilwoman Klapp: If that's the case, are there any other items on this list that were in the 2000 bond that were never completed?

Derek Earle: Mayor, Councilwoman Klapp, not to my knowledge. I believe there are no carryovers related to the bond 2000.

Mayor Lane: I'm sorry, Councilwoman Littlefield?

Councilwoman Littlefield: Thank you. I would agree with Vice Mayor Milhaven. On the fire station 605, the public safety vehicle training track, the disaster recovery technology infrastructure, and the relocation of fire station 603. I would not agree with Councilwoman Korte's suggestion on the Scottsdale Airpark. That road, the way they had it structured to go and curve right around the airport itself is very curvy, if you will. And I don't really believe it's needed at this time. It also has double round-abouts on it which are not conducive for high traffic like that. We have a street that works real well in there, and we can make the turns on it. The street itself, once you get on it, it's straight. It could be widened but it's fine. And I don't believe we need to spend almost $13 million on doing the roadway at Scottsdale Airpark. I do not overtly object to the bike lanes on McDowell Road. But I have a question for staff on that. When I was looking at that project, they had listed that the bike lanes would be built by narrowing the street lanes and the medians on McDowell. And I want to make sure that wouldn't cause a problem, a driving hazard or any kind of difficulty or dangerous situation by narrowing those roads in order to create a bike path. I like bike paths. I don't have anything against them, but I don't want to create a hazard on McDowell Road. That's a major corridor, and I want to make sure it stays usable and well.

[Time: 01:19:47]

Derek Earle: Mayor, Councilwoman Littlefield, the lane width is usually driven by both the speed on the road and the type of road. Typically freeways have 12-foot lanes. At McDowell, our initial analysis is it is sufficient. They will be taken down to 10 or 11-foot lanes. I will have to confirm that. But they are wider than they need to be now for McDowell so that does create the space.

Councilwoman Littlefield: Could you come back to us and let us know exactly what that would involve in order to do that. If it's good, I'm fine with it.

Mayor Lane: You are not a yes on that item at this point in time.

Councilwoman Littlefield: I need more information.

Mayor Lane: Is that something we can respond to tonight?

Derek Earle: Mayor, Councilwoman, I just had a nod from Paul Basha that I was correct in my characterization of the project that there is sufficient lane width to take them down. 10-foot minimum is what's allowed. 12 is typical for a freeway. If you need the exact answer, we may not be able to get that at this point. We would have to go back to the office.

Councilwoman Littlefield: That would not create a dangerous driving hazard on McDowell because of lane narrowing?

Derek Earle: Mayor, Councilwoman Littlefield, most people will say it improves because people don't

dodge bicycles. Some would argue it improves safety.

Councilwoman Littlefield: Okay. I will go with that.

Mayor Lane: Okay. Councilwoman, anything else in that category, in that mean? Councilman Smith, have you weighed in?

Councilman Smith: No, Mayor. Thank you. I may just be an offset to Councilman Phillips. He doesn't like any of them. I like all of them. Maybe we average out at 0.

Mayor Lane: Do we want to make a mark all the way down to number 34 then?

Councilman Smith: It is not a facetious comment I'm making.

Mayor Lane: I'm not joking. If you want me to, I will.

[Time: 01:22:27]

Councilman Smith: Let me make a specific suggestion first and then maybe you give me a mark for everything. There are two or three projects on here that I think if you were just selecting projects, I think I would urge putting on there because they are projects where there's a lot of matching money. We get a lot of bang for the buck. One of them has been discussed and that's improving the roadways around the Scottsdale Airpark. I understand Councilwoman Littlefield's concern about whether that makes sense to her or not. But it may be the kind of project let's put it on there and let the voters decide. I kind of approached this whole package from the point of view I'm not sure it's just for us to deem what we think is important, it is for the voters to decide. If we have something that we think should be a decision left to them, let's leave it to them. In that particular case, we would spend $12.9 million. We would get $30 million of matching money. That's a pretty good project return if it turns out the voters want that done. So I would put what is currently listed as project number 16, I guess, on this new list. I would put it on. I would put the one above it on, project 15 which is improve and expand the regional drainage in the Crossroads East area. And really for the same reason, it's a project which we'll have almost 50/50 matching money. It is certainly for flood control, it's an important project for our citizens. And I would give them the choice of deciding is this important, something important enough that they'd like to do particularly given the matching money.

And, finally, items number 19 and 20 are also projects which have substantial matching money. Other people are spending more than we are to make these projects come about. And so, again, I would give the voters a chance to weigh in on that. But I would say other than those specific items, I do, I did, as you know, rank all of these projects a 2, meaning that I thought they should be in the package because I think the needs for capital investment in this city are profound beyond this $172 million which Derek just clarified will be probably a three-year spending program. One of the speakers tonight made the same comment I've made frequently to various audiences. We have $100 million of depreciation in our assets every year. And I'm not making that number up. Anybody can look at our financial statements, page 75 if you're interested. It says depreciation last year was $103 million. And that same page will

say that we invested last year in our depreciable capital assets $18 million.   And the net result was our net capital assets in the City of Scottsdale decreased last year by $83 million. First time I know of in the history of the city that we have allowed our asset base to depreciate.

Now to pretend to the voters that we can whittle down this list and make it palatable. We can whittle it down, sure. It doesn't mean we are going to maintain the city and the livability of the city in the style to which the people have become accustomed. I've heard as we all have a great concern from the citizens about the quality of the streets, which is the most visible thing they see. And the other assets they observe deterioration in, I'm not, I for one will not pretend to people that it is an adequate investment program. It is certainly better than 0 or 5 or any number like that. We somewhere a serious problem in the city. And the only way to solve it is for the citizens to join with us in investing in the capital assets. With that said, mark me yes for everything, I suppose. Thank you.

Mayor Lane: Okay. Yes, Councilwoman.

[Time: 01:27:25]

Councilwoman Littlefield: I would not be supporting the Crossroads East flood control. The reason I would not support it is we did ask the citizens about this on the last bond election. It was adamantly said to all of us no, they did not want it. They didn't want to pay for it. And it caused a great deal of reflexive reaction from the city into other areas that were similar. If you want to get the citizens behind you on any of this, I can tell you from having listened to them and talked to them and walked the walk with them on the last bond election that you got to listen to what they say. It's their money. It's their money, not ours. And if you keep putting things on that they've already said no, we don't want it, you're going to start creating some major problems with resentment. It's okay to ask once. But don't do it again unless you want all your flood control to go away. So I would not be supporting this. We have asked the citizens on this and they said no. That's enough. Move on.

Mayor Lane: Councilwoman, your vote, your non-vote for a project is your statement with regard to whether it goes on or not. Certainly there's plenty of time to take exception with what the final package holds. But, nevertheless…….

Councilwoman Milhaven: You said there will be time in the future to take exception with the final package. My hope is that the six of us who believe we need a bond can agree what's in that bond and lock arms in support of that bond and advocate for a yes vote. So if folks have any reservations, I want to hear them tonight. Not as we walk down the road.

Mayor Lane: I don't disagree with that. We certainly all want to have some unity with regard to this and we know we don't have it right now. Nevertheless, to the greatest extent possible of what's advanced. But we don't even know what would be on it until we get a consensus of opinion as to what we agree to. I certainly want to, when it is finally determined what's on or not on, that's what we would be considered. Now, it's interesting because I'm thinking as I'm tallying this, I probably should have been grading it, I suppose, as a should be or could be. But the simple tally of it, I should ask, any other further? Okay. That's where we're going. Councilwoman Klapp?

Councilwoman Klapp: Make sure I got my phone on. I would agree with the last statement that was made in the case of the Crossroads East area project. I don't believe based on my conversations with the voters last time, they wanted that project. So I would agree that we should probably leave it off of this bond question. It doesn't need, it is possibly needed down the road. But I believe what I said initially is we put projects on this list that we feel are the most critical, the most important, and the ones that the voters want. And putting something on a list because we can leverage federal money does not necessarily resonate with the voters. It didn't in 2010 when we had a bond question with a number of projects that were all highly leveraged. And the voters turned them all down. So I believe they're looking to us as Council people to give them our best advice on the best projects on this list and the ones we can most support. If that means we come together on those that we feel are most important, that's what we need to do and not keep adding on things just because they're on the list. I don't think anyone on the Council is trying to pretend anything about these projects. Some of them are important, but they may not be the most important and the only things we should be putting on in 2015 are the most critical, most important projects we feel the voters will accept and vote for. We've got to get a bond project passed with the voters, and we've got to recognize that. We can philosophically consider all the projects on the list as important, but we've got to be able to determine among ourselves which ones will be the ones that the voters really want.

[Time: 01:32:13]

Mayor Lane: Thank you, Councilwoman. To the point, obviously from what I hear you saying, you would not suggest any further projects beyond the 16?

Councilwoman Klapp: Beyond the 16, I would be willing to accept a couple of items in the yellow which would be the fire station 605. There was another project there. Oh, it was up in the white. We had disregarded it. Fire station 603, 605, and the training facility. I would agree those could be added. But we've dropped off a couple of project that are fairly expensive in order to add those in as far as I'm concerned so I'm okay with that.

Mayor Lane: Was that item 24?

Councilwoman Klapp: I believe it was, on the list I'm looking at, item 23, fire station.

Mayor Lane: And the public safety vehicle training track.

Councilwoman Klapp: Item 18 is fire station 603. Item 23 is fire station 605, and item 24 is the public safety vehicle training track. Yes.

Mayor Lane: From your estimation, a potential add to the original 16 that we've accepted.

Councilwoman Klapp: Yes. Our 16 does not include 15 and 16 on this list which is Crossroads East and the roadway in the Airpark. Correct? That gets the total down to I think an acceptable level.

Mayor Lane: Councilwoman, I think I've got what you said thus far. But there is a request as to whether or not, I'm not saying this in a lobbying sense, but whether or not the bike lanes presumably on McDowell Road.

Councilwoman Klapp: I would agree with that one also. I think based on the Council's number one priority to focus on McDowell Road, we had talked in a transportation meeting about having a complete street as McDowell Road and that includes bike lanes. So adding the bike lanes becomes more critical because of our focus on McDowell Road. And I believe it would be something that would greatly enhance that whole roadway.

Mayor Lane: Are you intentionally leaving out the disaster recovery?

[Time: 01:35:05]

Councilwoman Klapp: Which one was that? I'm sorry. I might have lost it in the conversation. Which item is it? Is that item number 25? Was that suggested by someone?

Mayor Lane: It is I'm 34 on the original list.

Councilwoman Klapp: Yeah. Forgive me, I'm looking at two different lists here.

Mayor Lane: Understand.

Councilwoman Klapp: I'm looking at the list that Derek presented which has the color coded. On that list, is that item number 25? Is that one that was added on by someone else? I didn't recall anyone adding it.

Mayor Lane: Yeah.

Councilwoman Klapp: It was?

Mayor Lane: All right. So I'm sorry, Suzanne.

Councilwoman Klapp: My question is, did someone add that? I didn't catch it if they did.

Mayor Lane: Did someone add that? You mean someone requested to be added. Yeah, you have a couple of folks that are on there.

Councilwoman Klapp: I'm sorry. I did not realize that was added. So that one was, it is hard to follow when you can't see what's going on.

Mayor Lane: Kathy, did you have 25?

Councilwoman Klapp: I would be okay adding that as well.

Mayor Lane: All right. I'm just going to confirm, Kathy. Do you recall or do you have the number of the items on our most recent list that you were looking for? Not necessarily what you were opposed to but what you wanted to add to the original 16? Kathy, are these your selections? Did that also include 25? I'm sorry. I think you said that. All right. Well, on the basis…. Do you have this recalculated? Okay. All right. On the basis of that, those items that would be added according to the tally we've had on this original list of 34, to the 16 that we've already approved would be item 23, 24, 25, and 18.

Councilwoman Klapp: And 17.

Mayor Lane: Yeah. All right. It's 17, 23, 24, 25 and 18. Everything else…..

[Time: 01:39:50]

Derek Earle: Mayor, so far I'm actually, I believe I got the first 16 projects that Councilwoman Littlefield originally brought to our attention. Then the next, not the next, the five projects that we just discussed, I'm not going to rehash the names on those, we are standing at 21 projects at this point. Mayor, that's my understanding.

Mayor Lane: That's correct.

Derek Earle: Thank you.

Mayor Lane: That puts us, as Vice Mayor Milhaven, has indicated 100 million on that first page. I should say of the first 34. All right. So if we were to move to the next page of Additional Projects which we did not really have a great deal of background information on these, I don't believe.

Derek Earle: Mayor, are you talking about the next eight that are on…..

Mayor Lane: The A1 through A31.

Derek Earle: Oh, thank you. No, Mayor, anything with an A in front, you can call it additional. These are Additional Projects. We are familiar with these projects to recommend the amounts that have been suggested. However, these don't have the detail of analysis that the earlier projects did.

Mayor Lane: If I were to look at either the mode or the mean in this case, there isn't sufficient on the basis of the initial survey to support any additions from this page. Councilwoman Korte.

Councilmember Korte: Not that I would fall on my sword, I would like to at least have a little bit of a conversation around two of the items on Additional Projects because I think they support our tourism industry and our visitors. Number one would be A3, the Scottsdale Center for Performing Arts. And also number A16, the downtown way finding and pedestrian.

Mayor Lane: Am I looking at a different page?

Councilmember Korte: Additional Projects.

Mayor Lane: Looking at Council ranking of Additional Projects. This is Council ranking. Okay.

Councilmember Korte: I'm sorry. Council ranking.

Mayor Lane: So A3?

 Councilmember Korte: A3 and A16. Both of those were, shall we say, strong components in our tourism five-year strategic plan to better our downtown and create a more pedestrian-friendly downtown and also if we're a City of arts and culture, I'd think there's a great value of investing in our center for performing arts.

[Time: 01:42:33]

Mayor Lane: Thank you, Councilwoman. Any other thoughts inclusive of Councilwoman Klapp? Did you have any thoughts on that and did you hear it.

Councilwoman Klapp: I did hear it. I wouldn't add anything on this additional project list.

Mayor Lane: Okay. Councilman Smith?

Councilman Smith: Thank you, Mayor. I echo many of the comments that Councilwoman Korte had, particularly on the investment in culture. I think some of these were added as project suggestions in part because of when we discussed this in March we talked about the fact that since our citizens value arts and culture, we should respond to their values and give them an opportunity to invest in those areas which they place a high value on and certainly these two projects that Councilwoman Korte has earmarked here are appropriate to that. There's some discussion about what would be included in these items in our package, and I read it, and I agree with it. I think the reason for looking at these seriously now as possible inclusions is they were kind of there, if we didn't like what was on the first list and we've now said there's some we don't like there, then we would allow ourselves the luxury of looking at substitute projects. I prefer to call them substitute projects rather than Additional Projects. And I would certainly echo, as I said, what Councilmember Korte has said on these two projects. Thank you, Mayor.

Mayor Lane: Thank you. Derek, did we get information on this? Because I didn't see it in here.

Derek Earle: Mayor, Councilman, or Mayor…..

Mayor Lane: I see, okay.

Derek Earle: It was very brief. They were just a short one-paragraph descriptions. They didn't have the level of detail that we had on the rest of the projects, Mayor.

Mayor Lane: Councilwoman?

Vice Mayor Milhaven: While I agree with what Councilwoman Korte said and Councilman Smith and I would certainly love to see those projects, I really put them on the list of nice to have, not need to have. And we're coming off of two bond elections, neither of which passed where we have a long history of our citizens supporting infrastructure improvements. I think with this bond election, we need to demonstrate that we're being thoughtful, that we've said we need to maintain a critical infrastructure and that our city doesn't fall down around us. While I would love to see it, I think we need to be responsible and restrain ourselves and I would not support adding that to the bond list.

Mayor Lane: Thank you, Councilwoman. Councilwoman Littlefield?

[Time: 01:45:18]

Councilwoman Littlefield: Well, I agree with Vice Mayor Milhaven. They are nice to have. They would be nice to on able to do it. I want to see this pass. I don't want to give any excuses for people to say absolutely not. It's not financially feasible. It's not conservative, and we're not going to waste our money on it. I want to give to the citizens what they told me when I ran against the last bond campaign what they told me they wanted to see and only that this time.

Mayor Lane: Councilwoman?

Vice Mayor Milhaven: Since we've heard from Mr. Earle this is a three-year work plan, that means we will be back having this conversation in three years and hopefully we will be in a much better place in terms of our local economy. We'll have a better handle on what our capital needs are. And so it's really, in my mind, only delaying that conversation for three years. Thank you.

Mayor Lane: Thank you, again, Vice Mayor Milhaven. And I agree actually with all the comments that have been made with the exception with the idea of adding this. I do agree specifically with the idea this is a tenuous kind of offering that we are looking to try to put together. We want to make sure as we talked about before that we have the greatest level of inclusion from folks here at this table but also from whatever we believe to be the perception by the public in passing this. We're looking for that kind of acceptance and we want to make sure we're as judicious about this as possible. So I would not be for adding these projects but I would say that one of the things, and I know this is a little outside the realm of the bond issuance, I think some of these projects we need to be looking at whether or not tourism funds are available to finance some of those, particularly those that are directly related to downtown and the tourism industry. That's an aside from that. I would like to see us go in that direction. Now but for the reasons I stated, I would not add these two. Councilman, I've sort of taken you as not adding because you're not for it. Okay. Got that. All right. So that's the Additional Projects at least in our review. And there's no other comments on any of the other items that are on there. So if I were to say, I think the consensus of direction is toward the 2015 date. I also think that we have given you clear direction with regard to what's to be included in that package for our consideration and a vote to put it on the ballot.

Derek Earle: Yes, Mayor. I tabulated $98,660,000. I hope somebody else had that. I will verify that. $98,660,000. But those were based on the 16 plus 5, so I believe that's 21 projects.

Mayor Lane: Yeah. All right. The grouping of it?

Vice Mayor Milhaven: If we're ready to move on, I throw something out for folks to react to.

Mayor Lane: Yes, please.

[Time: 01:48:56]

Vice Mayor Milhaven: See what people think. How about if we did one question related to police, one question related to fire, one question related to the pavement and road improvements. And that would include those curbs in downtown, and one question that related to parks, and one, which that would be the pools and stuff. And then one that related to flood control. That would be five questions.

Mayor Lane: And I think that they are pretty much self-explanatory but bike lanes, anything that relates to the roads in our traffic system…..

Derek Earle: Mayor, if I may ask, I didn't hear the transportation projects in there. I did hear the pavement. I heard the pavement.

Vice Mayor Milhaven: Roads and pavement.

Derek Earle: So you would consider that, pulling all of the transportation projects into that?

Vice Mayor Milhaven: I don't know what you would call it for the ballot but just for our conversation. Put the language on that's right.

Derek Earle: We would bring that back.

Vice Mayor Milhaven: I would say bundle those.

Derek Earle: Based on what consensus we arrive at tonight.

Mayor Lane: That's a good start for sure. Any comments with regard to Vice Mayor Milhaven's suggestion on the five questions?

Councilwoman Littlefield: We need to find a place for the technology question, the disaster recovery.

Vice Mayor Milhaven: Good point. Could that go into police or fire? Not WiFi. I would like us to come back and revisit that and see if we increase the property tax to 2% could that pay for that project. That seems to be a better way to pay for that.

Mayor Lane: In the meantime, there's either an added category and I frankly I wouldn't be opposed to having an added category or a sixth question as it relates to technology and upgrades.

Derek Earle: That would be two projects that would be included, the disaster recovery and the WiFi would both be considered in that.

Mayor Lane: Any other questions on the selection of how they'll be presented?

Vice Mayor Milhaven: We got a question to repeat it. Police, fire, roads and pavement, parks, flood control, and technology.

Mayor Lane: Councilman?

[Time: 01:51:57]

Councilman Phillips: I would like to see whether it is on the ballot after every question or whether it is on the informational ballot that goes out, I asked for this last time, I think it needs to be included in the ballot question that not all voter-approved items will be funded. I think the voters need to know that. Whether you want to put a disclaimer after each question or at the beginning of it before the questions or in the informational packet that goes out, I think people need to know that.

Mayor Lane: Councilwoman Korte, do you have a question for that?

Councilmember Korte: Sorry, I did not understand that comment.

Councilman Phillips: Whether it is at the beginning of the ballots or whether it is in the informational booklet that goes out about ballot, which I think would probably be the best place to put it should be the statement that says not all voter-approved items will be funded because the voters need to know that because not all items will be funded and we don't want them to think if they vote for it, they're going to get it because that doesn't mean they will. We know that.

Vice Mayor Milhaven: It would be my intention if the project was in a bond question, we would do that project. That's my intention.

Councilman Phillips: That's your intention but that's not the way it's been in the past history. It still relies that it may not be for whatever reason. Maybe that project turns out twice what we thought it would be. For whatever reason, not all projects will be funded.

Councilmember Korte: You are making a definitive statement. What you're saying is that they might not be funded if we run into something. I wouldn't want to make a definitive statement.

Mayor Lane: As far as it's concerned, it is a valid point to be made. But the fact remains there are a lot of variables that are involved with any kind of bond issuance and frankly the cost of projects. I'm not

sure whether we want to make an assumption or not whether it will be completed. We know in the past when we had a shortfall on the 2000 bond issuance with some of the parks and that, that did cause a fair amount of consternation on that. That was over a long period of time with rapidly increasing costs that put us in that position. Any statement to that effect is certainly going to be have to be tempered with the idea that every intention is that these will be completed. Barring some unforeseen consequence, I'm not suggesting language with this right now. But somehow or other that there is a prospect that something may not be able to be funded on the basis of hyperinflation or other circumstances that might, we might be faced with.

Councilman Phillips: I'll agree it would be worded in a friendlier way but I still think it needs to be revealed to the public.

Mayor Lane: It is certainly worthy of consideration.

Councilwoman Klapp: Mayor?

Mayor Lane: Yes, Councilwoman.

[Time: 01:55:06]

Councilwoman Klapp: One other thought, we haven't really discussed this, but it has been my assumption all along that there would be a citizens Bond Task Force that will oversee this process. Would there be a statement to that effect in any material that would accompany the bond questions that there would be a citizens Bond Task Force that would be overseeing the bonding process?

Derek Earle: Mayor, Councilwoman Klapp, we can provide that in the materials that are provided. I think from our previous meeting, Council was pretty focused on that as being important.

Councilwoman Klapp: That might help alleviate some of Councilman Phillips' concerns that there is some citizens input into this as to how the money is being spent.

Mayor Lane: Thank you, Councilwoman. Councilman Phillips.

Councilman Phillips: I appreciate that, Councilwoman Klapp. But I think what's going to happen is, you know, who sees the task force recommendations? 10, 15% of the public? When the public goes out and votes, those are the people that need to know that because they're not just going to see the task force recommendation. You can go out and ask 80% of the public and they will go: what are you talking about? But they're going to vote. And they need to know that. I think at least on the pamphlet that comes out a month prior to the vote, the informational pamphlet, should at least be in that. So you can't say, we didn't warn you.

Councilwoman Klapp: Mayor?

Mayor Lane: Yes, Councilwoman.

Councilwoman Klapp: I wasn't meaning to imply that I didn't agree with Councilman Phillips about his requirements that language be put in about some of the money may not be spent. That's fine with me. I was just adding an additional item in the pamphlet or in the materials that would refer to a citizens Bond Task Force.

Mayor Lane: Thank you. And I think, too, I would agree. I think the pamphlet should be able to spell out a couple of things of assurances or cautions. I think there is probably wording we can put in there. And that's the appropriate place for it. Theoretically, those are the people that are going to be voting about it, that are going to be concerned about it and want to be informed. That's our avenue.

Derek Earle: Mayor, that's correct. There is a whole set of assumptions that go into the actual ballot language and the publicity pamphlet. Those are excellent places to consider this information. We'll provide some suggested language when we bring forward the ballot language that you can consider.

Mayor Lane: Okay. Yes, Vice Mayor Milhaven.

[Time: 01:57:45]

Vice Mayor Milhaven: One other item I would like to suggest is first I want to thank staff that what a great job in preparing the information around each of the projects. I think that's spectacular. I've made the come several times before what I learned in the last bond election was the amazing appetite that citizens have for information. So thank you. But it still leaves several questions I have about the projects. Rather than go through project by project tonight, I'd like to send, I'll send you some questions for additional information that I think would give citizens context and help them understand. An example would be where we're placing 140 miles of pavement. Well, how many hundreds of thousands of miles of pavement do we have to maintain? What's the useful life of that pavement? So we have a sense of is 140 miles on pace or behind pace for where we need to be to make sure we're staying current. So I think there's some things like that that might provide some additional information that the citizens would find helpful as they researched. So I will send you those questions and I would encourage other Council members if they have questions that would make the information clearer for citizens, that they encourage you to do that so this can be as helpful and as informative as it possibly can be. Thank you.

Mayor Lane: Thank you, Councilwoman. Councilwoman Littlefield.

Councilwoman Littlefield: I just have an additional comment about how to put the bonds on a ballot and the questions. I would suggest as I look through this, a lot of these have been taken off. So obviously some of the questions are going to be smaller. But if there's a question in your mind, should you put it in this one or not, put it in a separate question. Make that be your guide because that way you give more voice to the citizens.

Mayor Lane: I think that's an easy consensus. We're asking to use some discretion on this, too, as far as

that goes. But you're going to be bringing it back to us with that language and we will be judge at that point in time.

Derek Earle: Correct.

[Time: 01:59:53]

Mayor Lane: Thank you very much. I think to Vice Mayor Milhaven's point, I think being armed with items of information that keep things in a clear perspective are going to be very important for us all. I want to advocate for its passage. So, yes, Councilman Smith.

Councilman Smith: No Additional Projects or anything I want to add. But I do want to add to the comments others have said. My compliments to staff. Not just the city staff but even the Bond Task Force that has worked on this, that worked on it for a couple years. There's been a lot of effort that's gone into this and I hope the voters appreciate the fact that it's a thoughtful package that we're asking them to approve. I hope as others expressed that we can be united in our support of it. Thank you very much, Derek, to you and all of your staff.

Mayor Lane: As I said before, we do all recognize the amount of work and frankly the thought that's gone through this. Thank you on behalf of everyone as far as that's concerned. And your optimism on this meeting I think proved to be appropriate. As he looks at the clock. Okay. All right. With that, thank you very much, Derek.

Derek Earle: Thank you, Mayor.

ITEM 2 – MONTHLY FINANCIAL UPDATE (CONTINUED FROM THE APRIL 14, 2015 COUNCIL MEETING)

[Time: 02:01:15]

Mayor Lane: Move on to our second item of business on this Work Study. It is really is a Monthly Financial Update for presentation. Our illustrious Treasurer, Mr. Nichols.

[Time: 02:01:34]

City Treasurer Jeff Nichols: Mr. Mayor, now that Derek's got you warmed up and in a good mood, let me see if I can give you a good report.

Mayor Lane: Don't be messing with that.

Jeff Nichols: I'll try not to. I believe the news is good. But let's get started with the monthly financial update as of March 31st, 2015 where we usually start is with General Fund operating sources. To date, fiscal year to date in the General Fund, I'll skip over the sales tax because we'll drill down in the second slide. Starting with some of the variances that you see there, the ones that I think are significant or at least as compared to the total, the auto lieu tax, we feel that's a timing issue. We feel that by the end

of the year, we will be right where the state has told us they thought we would be. When you look at the other licenses, permits and fees, the majority of the $1.4 million variance is coming from west world facilities. We have variable rentals in the facilities. We had the three vendors that had proposed participating in debt service related to the Tony Nelssen Equestrian Center. They were not budgeted there. That will be a variance that will carry through to the end of the year.

Under the miscellaneous, you see a negative variance of about $1 million, 16%. What I would like to point out is really what's being masked is a $1.1 million positive variance but in March we budgeted the sale of the McKnight building and the H.R. building and those sales did not take place yet. They haven't been completed. So we haven't booked the revenue. So it is just, again, a timing difference. I believe the McKnight building will be done by the end of the fiscal year. Hopefully the H.R. building will as well. But it is a possibility that might carry over into fiscal year 15/16 as far as when the deal's consummated. So with that $2,500,000 negative is what's creating that $1 million negative variance. And then as you see, we've been reporting all fiscal year under building permits, $2.6 million positive variance. We continue to see favorable variances month over month. However, they are decreasing as we go through the fiscal year. They're not nearly as great as they were in the beginning of the year. So right now at 30% over budget.

[Time: 02:04:18]

Drilling down into the sales tax, the 1% sales tax, you see the areas where we have some variances there. I would like to point out the auto sales and maintenance. We're doing a little bit better, $500,000 variance, 5% positive. And that's just in the activity. We're seeing more activity than we anticipated. A couple of the new dealerships are doing better than we had anticipated. And I would think when new dealerships are coming online, it is a best guess as to how they perform. We're happy they are performing better than we thought they would. When you look under tourism and entertainment at the hotel lodging and miscellaneous sales in the restaurants and bars, you see positive variances of 200,000 and $400,000 respectively. And we believe these are related to the Super Bowl and pro bowl. We've done better this year in those categories than even the last Super Bowl that we hosted in Arizona which I believe was back in 2008. We used that as an estimate to budget these items and they came in even better. And maybe it was just the fact that the Pro Bowl was here and it was a convergence of events that made it a bigger impact. Again, related to the construction sales tax, you see a $1 million positive variance related to the construction that's going on in the community. So we believe that is a variance that will continue throughout the fiscal year. When we look over General Fund sales taxes, the 1% general purpose year over year change, you see for the month of March at 3.8%. What I would like to point out, it's not easily discernible on the chart is year-to-date actuals compared to last year were at about 6.5% at this point in time for the fiscal year.

Getting over to operating uses by category, you see a small positive variance in salaries and wages. That's related to some pay in the Police Department of some retirements I reported before. And we're hiring, actually filling those positions at a lower salary than what was budgeted. The overtime, unfavorable variance of 32% or 1.5 million relates to the police and Fire Department. The Police Department makes up approximately $1 million of that. The Fire Department, the $500,000 balance. I would like to point out that about approximately $500,000 related to the Super Bowl will be moved out

of their division and into another area of the city. I would like to point out, though, that it was a management decision that we did not budget for overtime related to the Super Bowl. We just figured that we would come back and use contingency funding. So it was a conscious decision to not budget for it. And it's showing up as a negative variance here at the end of March.

Mayor Lane: What was the extent of the overtime during Super Bowl week?

Jeff Nichols: I believe the total impact related to Super Bowl was somewhere in the neighborhood of $800,000. But I'm looking at the City Manager and he's confirming it was approximately $800,000.

Mayor Lane: What were we estimating to be?

Jeff Nichols: We were estimating somewhere in the neighborhood of $500,000 related to the Super Bowl. So nearly, I don't know, somewhere between, a little over 40% negative variance related to our estimate.

Mayor Lane: Is that being considered, well, that's under audit right now, is it not?

[Time: 02:08:04]

Jeff Nichols: Mr. Mayor, yes, it is, sir.

Mayor Lane: And do we have any offset from those event producers that have committed to pay into those funds?

Jeff Nichols: I'm being told that the offsets are minimal, in the neighborhood of $25 to $50,000.

Mayor Lane: There was an allowance in the original budget just with the Fan Fest of $90,000 that was to be paid to the city for Scottsdale Police Department coverage. Did we receive that? Do we understand where that is?

Jeff Nichols: Mr. Mayor, I would need to check with staff and find out if that's been receipted or not. I was told that the amount of reimbursements that we expect that we haven't received are minimal. So we may have already received that. So I don't want to misreport. We may have already received that $90,000.

Mayor Lane: And, of course, even for the other major events, we have I presume a significant amount of security costs that are outside of their contracted security that were covered with Scottsdale Police Department. Meaning Barrett-Jackson.

Jeff Nichols: And TPC, yes, sir.

Mayor Lane: We don't know where those receipts might be?

[Time: 02:09:21]

City Auditor Sharron Walker: Excuse me, Mayor, I just wanted to clarify one thing. The $90,000 that was budgeted in the Fan Fest that was included in the presentation to Council, as I recall, was for Police Department off duty. Off duty payments are generally paid from the employer, the external employer, directly to the officer. So the amount that the city would be receiving directly out of that $90,000 is going to be a very small amount for the amount of time that was worked as overtime rather than as off duty. Off duty does not come to the city.

Mayor Lane: So it was on the basis of volunteers versus assignments?

Sharron Walker: Right. That would be the distinction that was made between who was paid as off duty versus who was paid through the city as overtime, would be the folks that volunteered, signed up for time slots, would be paid directly as off-duty payment.

Mayor Lane: Any of those funds that were contracted for by the event producers are not even counted in this overtime figure we're talking about?

Sharron Walker: That is correct.

Mayor Lane: So this is over and above anything that was contracted for.

Sharron Walker: That's correct.

Jeff Nichols: Thank you for the clarification, Sharron.

Mayor Lane: Thank you, Sharron. Thank you, Mr. Nichols.

Jeff Nichols: You're welcome.

Mayor Lane: Okay.

[Time: 02:10:42]

Jeff Nichols: So we go down the next significant variance, although percentage-wise isn't that big is contractual commodities and capital outlay.

Mayor Lane: Councilman Smith.

Councilman Smith: I know you proposed or the City Manager has proposed putting another million dollars into overtime for next year. Help me understand what that million will be in terms of we are for, what are we looking at? Nine months, six months. Nine months at $6.4 million actual. I don't know where it is liable to end up for the year. Are we taking the overtime up by, I don't know, 10% or something next year? What order of magnitude are we increasing the overtime?

Jeff Nichols: Mr. Mayor, Councilman Smith, as a percent, I don't have the total budget for the fiscal year on this chart. So I can't do that in my head. What I can do, yes, what I can do is say the Police Department has had an average of 89,000 overtime hours budgeted in this fiscal year and past fiscal years. They believe they need in the neighborhood of about 120,000 hours of overtime to complete their mission. The million dollars relates just to the Police Department. However, I don't believe the total number of hours that's proposed in the City Manager's budget at this point in time is $120,000. believe it is north of 110,000 hours. The issue with the Fire Department that we're having is there's just a lot, we have quite a few staff that are either on, have been injured on the job and they have constant staffing needs so they have to fill those positions. What's also in the budget, if you recall, is the City Manager is in the current budget suggesting an additional 12 staff within the Fire Department and it is our hope that the overtime within the Fire Department would then for the most part go away.

Councilman Smith: Thank you for that. I really wasn't asking about the Fire Department. I thought the million dollars was just for the Police Department.

Jeff Nichols: It is just for the Police Department.

Mayor Lane: Thank you, Councilman.

[Time: 02:13:18]

Jeff Nichols: And so the majority in the contractual commodities and capital outlay is more timing issues. It's just, when I say timing issues, it's something that's been budgeted so it's already in the budget. But we haven't had the expense. I would point to like the library has a new software system, Polaris, that you are working with the vendors regarding payments. There are still contracts and negotiations with Paul Harding's group. The expenses have not met them yet. I'm not certain we'll have, we'll enjoy that favorable variance at the end of the fiscal year. And then when you look by division, the operating use is by division.

Here you see again the variances that stand out dollar-wise in the Police Department. We just discussed the overtime. The fire, obviously there was $500,000 negative variance in overtime which is being masked. They do have some positive variances in their supplies. Again, they budget them where they think they are going to need them. If they don't need them, they don't procure them until they have that need. Hopefully we will maybe see some positive variance towards the end of the fiscal year. Again, I wouldn't count on it. And then so bottom line is the summary slide, year over year change in fund balance we are seeing a positive variance of about $6 million. I didn't want this to be confused. You remember last week we talked at the end of the fiscal year, we're showing nearly $18.9 million unreserved fund balance at the end of the fiscal year. And that's the cumulative winnings of the previous years in addition to this $6 million. And we had discussions last week regarding that. And I'm sure we'll have discussions going forward with the budget discussions. With that, I would be happy to answer any other questions.

Mayor Lane: All right, thank you, Mr. Nichols. Appreciate the presentation. Do we have any questions

or comments to the Treasurer? Again, thank you very much.

Jeff Nichols: You're welcome. Thank you.

Mayor Lane: That completes our items on our agenda for this evening.

MAYOR AND COUNCIL

**ITEM 3 – REQUEST TO AGENDIZE A DISCUSSION ON CITIZEN AIRPLANE NOISE COMPLAINTS
(CONTINUED FROM THE APRIL 14, 2015 COUNCIL MEETING)**

[Time: 02:15:49]

Mayor: The next items for consideration are Mayor and Council items. And we have two on record
here. We would start with the request to agendize a discussion on citizen airport noise complaints.
This is Councilman Phillips' request. I don't know if you want to just make some comments.

[Time: 02:16:13]

Councilman Phillips: Thank you, Mayor. I think we've all gotten emails and letters from our citizens
about the airplane noise. When you see that the City of Phoenix as a City Council has been working
with the FAA to an extent to try to mitigate their problems and you also see, I know the Mayor has been
working very hard with the FAA and also Gary Mascaro down at the Airpark. As a Council, I don't think
we have. What I was hoping to do, if the Council agrees, to direct staff to have a presentation of what
Scottsdale's done so far and then maybe after that, we have a Council discussion and maybe any future
items that we want to do or push or discuss. That would be the point of that.

Mayor Lane: If I were just to make a couple comments on that. Number 1 is obviously, as with most
everything, we take in, on behalf of the Council as a whole, we take in a lot of complaints and a lot of
considerations from our constituents and we work the best we can from both the staff perspective as
well as politically. And we have been very energized on this. In fact, there isn't a political elected
official that hasn't been contacted on this. It is within our delegation that impacts us. Both of our
senators are working on it and our Congressman. So it's certainly been activated that way from a
political perspective of what they can do at the FAA. Personally, I have been involved with all of them
as well as constituents as well as the FAA, not to very satisfactory result thus far.But it is a sticky wicket.
If I were to suggest anything, a presentation is something we can effect without bringing it back as an
agendized item. We can go ahead and get that accomplished. So I would not be, I don't think that a
vote is necessary if I were to just to say so as far as that's concerned. We could get a presentation back.
Maybe, that's the nature of the vote, if the Council……

Councilwoman Littlefield: I think a presentation would be helpful to our citizens. There is a lot of
concern out there and they are just wondering what's going on. I think letting them know what's
happening and what we're doing, I think that would be very wise.

Mayor Lane: And Kathy, I'm sorry, Councilwoman Littlefield, if I might, one of the things that really is important is a distinction between an agendized item and a presentation. What I don't think necessarily would be beneficial for us is to reawaken, we want to let them know what we're doing because we have been attentive to this subject. I'm hoping if that's what you're asking for.

Councilman Phillips: I would like to say if the Council would prefer to have the presentation without discussion, that's fine with me, too. Whatever the consensus is on that.

Mayor Lane: All right. Then the motion and the second has been made to have a presentation. I just ask, unless there is further comment, I ask all those in flavor indicate by saying aye and those opposed with a nay. Very good. We'll arrange for that.

ITEM 4 – REQUEST TO AGENDIZE A DISCUSSION ON CITY PROPERTY AT SKYSONG

[Time: 02:19:43]

Mayor Lane: The next item, of course, is a request to Agendize a Discussion on the City Property at SkySong. And I understand Councilman Smith has brought this to our attention. It was discussed a little bit in a previous meeting but certainly, Councilman Smith.

[Time: 02:20:00]

Councilman Smith: Thank you, Mayor. You're right we did discuss it in the previous meeting and that's why it is on here as a future agenda item. I won't see anything about it except I think it's important for us to pin down where our acre and a half reserved land space is at SkySong. Also before all the good spots are all gone, so to speak. Second, it would be useful to have staff tell us what maybe some of our options are. I think it's a good discussion, but mostly I would just like to get pinned down where our acreage might be.

Mayor Lane: Understand. Remembering just a cautionary remark as far as we're not to initiate discussion on the subject right now. But if we have comments of the pluses or minuses of doing it. Councilwoman. Okay. All right. Motion is made and seconded. Unless there is any other comment about that, I think we're then ready to vote. All in favor please indicate by aye and those opposed with a nay. I suppose I confused you with both those options but I think I heard it all as aye. That covers the Mayor and Council items that we've got here. Next order of business……

ADJOURNMENT

[Time: 02:21:21]

Councilmember Korte: I move to adjourn.

Mayor Lane: Seconded. Then we are adjourned. Thank you very much. And thank you to staff for all of the input.