

**SCOTTSDALE CITY COUNCIL
REGULAR MEETING MINUTES
TUESDAY, FEBRUARY 20, 2018**



**CITY HALL KIVA
3939 N. DRINKWATER BOULEVARD
SCOTTSDALE, AZ 85251**

CALL TO ORDER

Mayor W.J. "Jim" Lane called to order a Regular Meeting of the Scottsdale City Council at 5:18 P.M. on Tuesday, February 20, 2018, in the City Hall Kiva.

ROLL CALL

Present: Mayor W.J. "Jim" Lane; Vice Mayor Virginia L. Korte; and Councilmembers Suzanne Klapp, Kathleen S. Littlefield, Linda Milhaven, Guy Phillips, and David N. Smith

Also Present: City Manager Jim Thompson, City Attorney Bruce Washburn, City Treasurer Jeff Nichols, City Auditor Sharron Walker, and City Clerk Carolyn Jagger

PLEDGE OF ALLEGIANCE – Councilwoman Littlefield

INVOCATION – Mayor Lane requested a moment of silence for the Parkland, Florida, Marjory Stoneman Douglas High School shooting victims and their families.

MAYOR'S REPORT – None

PRESENTATIONS/INFORMATION UPDATES

- **Charros Annual Update**
Presenter(s): Dennis Robbins, Executive Director

Charros Executive Director Dennis Robbins and Charros Member Todd Peterson presented an annual update on Charros activities.

PUBLIC COMMENT

- Stanley Bronstein presented a video expressing concern about locating the Desert Discovery Center (Desert Edge) near Taliesin West.
- Sargent Van Berry commented on issues associated with the bike sharing programs.

NOTE: MINUTES OF CITY COUNCIL MEETINGS AND WORK STUDY SESSIONS ARE PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ARIZONA REVISED STATUTES. THESE MINUTES ARE INTENDED TO BE AN ACCURATE REFLECTION OF ACTION TAKEN AND DIRECTION GIVEN BY THE CITY COUNCIL AND ARE NOT VERBATIM TRANSCRIPTS. DIGITAL RECORDINGS AND CLOSED CAPTION TRANSCRIPTS OF SCOTTSDALE CITY COUNCIL MEETINGS ARE AVAILABLE ONLINE AND ARE ON FILE IN THE CITY CLERK'S OFFICE.

CONSENT AGENDA

1. **Three Wise Men Liquor License (5-LL-2018)**
Request: Consider forwarding a recommendation of approval to the Arizona Department of Liquor Licenses and Control for a Series 12 (restaurant) State liquor license for an existing location with a new owner.
Location: 7323 E. Shoeman Lane
Staff Contact(s): Tim Curtis, Current Planning Director, 480-312-4210, tcurtis@scottsdaleaz.gov
2. **Waterview at Scottsdale Abandonment Correction (Related to 8-AB-2007)**
Request: Adopt **Resolution No. 11022** amending prior Resolution No. 7671 to correct an error in the legal description for the East Alley Tract for property located near E. Camelback Road and N. 73rd Street.
Location: 4702 N. 73rd Street
Staff Contact(s): Randy Grant, Planning and Development Services Director, 480-312-2664, rgrant@scottsdaleaz.gov
3. **Optima Sonoran Village Abandonment (3-AB-2010#2)**
Request: Adopt **Resolution No. 11024** authorizing the abandonment of the ten-foot right-of-way easement located along the south property line of a property with Downtown Regional Commercial Office – Type 2, Planned Block Development Overlay, Downtown Overlay (D/RCO-2 PBD DO) zoning.
Location: 6801 E. Camelback Road
Staff Contact(s): Randy Grant, Planning and Development Services Director, 480-312-2664, rgrant@scottsdaleaz.gov
4. **Storyrock Abandonment and Development Agreement (4-AB-2017)**
(On February 13, 2018, Council continued this item to March 6, 2018, at the request of the applicant.)
5. **Lounge Grocery Café Rezoning (19-ZN-2017)**
Item 5 was moved to the Regular Agenda (see page 4).
6. **Fiscal Year 2017/18 Capital Improvement Plan Mid-Year Budget Adjustments**
Request: Adopt **Resolution No. 11032** authorizing FY 2017/18 capital improvement plan mid-year budget adjustments.
Staff Contact(s): Daniel Worth, Public Works Director, 480-312-5555, dworth@scottsdaleaz.gov
7. **On-Call Transportation Engineering Services Contracts**
Request: Adopt **Resolution No. 11008** authorizing the following one-year contract extensions in an amount not to exceed \$750,000 per contract for on-call transportation engineering services:
 1. Contract No. 2015-039-COS-A2 with Dibble & Associates Consulting Engineers, Inc., dba Dibble Engineering
 2. Contract No. 2015-040-COS-A2 with Gavan & Barker, Inc.
 3. Contract No. 2015-041-COS-A2 with Premier Engineering Corporation**Staff Contact(s):** Daniel Worth, Public Works Director, 480-312-5555, dworth@scottsdaleaz.gov

- 8. Airport Lease Agreement**
Request: Adopt **Resolution No. 11011** authorizing Agreement No. 2016-028-COS-A1, the first amendment to the lease agreement with Gemini Air Group, Inc., for the lease of two corporate jet hangars at Scottsdale Airport.
Staff Contact(s): Gary Mascaro, Aviation Director, 480-312-7735, gmascaro@scottsdaleaz.gov
- 9. Aviation Business Center Lease Agreement**
Request: Adopt **Resolution No. 11012** authorizing Agreement No. 2018-020-COS with Scottsdale West Holdings, LLC, for the lease of office space in the Aviation Business Center.
Staff Contact(s): Gary Mascaro, Aviation Director, 480-312-7735, gmascaro@scottsdaleaz.gov
- 10. Aviation Business Center Lease and Termination Agreements**
Request: Adopt **Resolution No. 11006** to authorize:
1. Lease Agreement No. 2018-015-COS with Volanti Restaurant and Lounge, LLC, for the lease of restaurant and office space in the Aviation Business Center.
2. Termination of Lease Agreement Nos. 2016-030-COS-E1 and 2016-031-COS-E1 with MAZA Concepts, LLC, dba The Brick, which was never legally formed or recognized as a separate legal entity.
Staff Contact(s): Gary Mascaro, Aviation Director, 480-312-7735, gmascaro@scottsdaleaz.gov
- 11. Scottsdale Arts District Marketing Agreement**
Item 11 was moved to the Regular Agenda (see page 4).
- 12. Audit Committee Recommendation for the Development Review Board Sunset Review**
Request: Adopt **Resolution No. 11025** accepting the Audit Committee's recommendation and authorizing the continuation of the Development Review Board.
Staff Contact(s): Sharron Walker, City Auditor, 480-312-7867, swalker@scottsdaleaz.gov
- 13. Audit Committee Recommendation for the Planning Commission Sunset Review**
Request: Adopt **Resolution No. 11026** accepting the Audit Committee's recommendation and authorizing the continuation of the Planning Commission.
Staff Contact(s): Sharron Walker, City Auditor, 480-312-7867, swalker@scottsdaleaz.gov
- 14. Actuarial Professional Services Contract**
Request: Adopt **Resolution No. 11035** authorizing Contract No. 2018-030-COS with The Howard E. Nyhart Company, Inc., in the amount of \$18,000, for financial statement actuarial services.
Staff Contact(s): Jeff Nichols, City Treasurer, 480-312-2364, jenichols@scottsdaleaz.gov
- 15. Monthly Financial Report**
Request: Accept the FY 2017/18 Monthly Financial Report as of December 2017.
Staff Contact(s): Judy Doyle, Budget Director, 480-312-2603, jdoyle@scottsdaleaz.gov

MOTION AND VOTE – CONSENT AGENDA

Vice Mayor Korte made a motion to approve Consent Agenda Items 1 through 15, absent Items 5 and 11, which were moved to the Regular Agenda, and to continue Item 3 to March 6, 2018, as requested by the applicant. Councilwoman Littlefield seconded the motion, which carried 7/0.

REGULAR AGENDA

5. Lounge Grocery Café Rezoning (19-ZN-2017)

Request: Adopt **Ordinance No. 4332** approving a zoning district map amendment from Multiple-Family Residential, Downtown Overlay (R-5 DO) to Downtown/Downtown Multiple Use – Type 2 Downtown Overlay (D/DMU-2 DO) zoning on a .557±-acre site.

Location: 3703 N. 69th Street

Staff Contact(s): Randy Grant, Planning and Development Services Director, 480-312-2664, rgrant@scottsdaleaz.gov

Planner Ben Moriarity and Applicant Carol Garey gave PowerPoint presentations (attached) on the rezoning request.

MOTION AND VOTE – ITEM 5

Vice Mayor Korte made a motion to adopt Ordinance No 4332. Councilwoman Littlefield seconded the motion, which carried 7/0.

11. Scottsdale Arts District Marketing Agreement

Request: Adopt **Resolution No. 11033** authorizing Agreement No. 2018-028-COS with Scottsdale Gallery Association, in an amount not to exceed \$30,000, to produce and distribute the 2018 Scottsdale Arts District Guide.

Staff Contact(s): Karen Churchard, Tourism and Events Director, 480-312-2890, kchurchard@scottsdaleaz.gov

Tourism and Events Director Karen Churchard gave a presentation on the marketing agreement.

MOTION AND VOTE – ITEM 11

Councilman Smith made a motion to adopt Resolution No. 11033, excluding the second and third paragraphs of Section 4 in Contract No. 2018-028-COS. Councilwoman Littlefield seconded the motion, which carried 4/3, with Mayor Lane, Vice Mayor Korte, and Councilwoman Milhaven dissenting.

ALTERNATE MOTION AND VOTE – ITEM 11

Vice Mayor Korte made an alternate motion to adopt Resolution No. 11033 as stated. Councilwoman Milhaven seconded the motion, which failed 2/5, with Mayor Lane and Councilmembers Klapp, Littlefield, Phillips, and Smith dissenting.

16. Associate City Judge Reappointment

Request: Discuss, consider, and act on the potential reappointment of Statia Hendrix, Associate Judge, to a term of four years, as set forth in the City Code, to begin on March 9, 2018.

Presenter(s): Donna Brown, Human Resources Director

Staff Contact(s): Donna Brown, Human Resources Director, 480-312-2615, dbrown@scottsdaleaz.gov

Human Resources Director Donna Brown and Judicial Appointments Advisory Board Chair Bradley Astrowsky gave a presentation on the Associate City Judge appointment process.

MOTION AND VOTE – ITEM 16

Councilwoman Milhaven made a motion to reappoint Statia Hendrix, Associate City Judge, to the term of four years, as set forth in the City ordinance, to begin March 9, 2018. Vice Mayor Korte seconded the motion, which carried 7/0.

17. Presiding Judge Reappointment

Requests:

1. Discuss, consider, and act on the potential reappointment, including terms of employment, of Joseph Olcavage, Presiding Judge, to a term of four years, as set forth in the City Code, to begin on March 9, 2018.
2. If Judge Olcavage is reappointed, adopt **Resolution No. 11037** authorizing Employment Agreement No. 2018-032-COS with Joseph L. Olcavage.

Presenter(s): Donna Brown, Human Resources Director

Staff Contact(s): Donna Brown, Human Resources Director, 480-312-2615, dbrown@scottsdaleaz.gov

Human Resources Director Donna Brown and Judicial Appointments Advisory Board Chair Bradley Astrowsky gave a presentation on the Presiding Judge reappointment process.

MOTION AND VOTE – ITEM 17

Vice Mayor Korte made a motion that Resolution No. 11037 be adopted reappointing Judge Olcavage as City Judge to another four-year term, beginning March 9, 2018, at an annual base salary of \$190,000, and that Contract No. 2018-032-COS setting forth the terms of his employment be approved with the inclusion of this annual base salary. Councilwoman Klapp seconded the motion, which carried 7/0.

18. Monthly Financial Update

Request: Receive, discuss, and provide possible direction on the City Treasurer's monthly financial presentation as of January 2018.

Presenter(s): Jeff Nichols, City Treasurer

Staff Contact(s): Judy Doyle, Budget Director, 480-312-2603, jdoyle@scottsdaleaz.gov

City Treasurer Jeff Nichols gave a PowerPoint presentation on the City's financial status as of January 2018.

19. Council Capital Improvement Plan Subcommittee Recommendations

Request: Presentation, discussion, and possible direction to staff regarding the Capital Improvement Plan Subcommittee recommendations to Council.

Presenter(s): Jeff Nichols, City Treasurer; Dave Lipinski, City Engineer

Staff Contact(s): Judy Doyle, Budget Director, 480-312-2603, jdoyle@scottsdaleaz.gov

City Treasurer Jeff Nichols gave a PowerPoint presentation (attached) on the Council Capital Improvement Plan Subcommittee recommendations.

Mayor Lane opened public testimony.

- Alex McLaren, Scottsdale resident, spoke in support of the Subcommittee recommendations.
- Solange Whitehead, Scottsdale resident, commented on spending priorities and Preserve sales tax.

Mayor Lane closed public testimony.

Councilmembers expressed support for potential funding options, including General Obligation bonds, sales taxes, and stormwater fees.

Some Councilmembers requested additional information related to quantification of projects and matching funds.

Mayor Lane clarified the Council Capital Improvement Plan Subcommittee recommendations will be brought back for discussion at a Work Study scheduled for March 27, 2018.

PUBLIC COMMENT – None

CITIZEN PETITIONS

20. Receipt of Citizen Petitions

Request: Accept and acknowledge receipt of citizen petitions. Any member of the Council may make a motion, to be voted on by the Council, to: (1) Direct the City Manager to agendize the petition for further discussion; (2) direct the City Manager to investigate the matter and prepare a written response to the Council, with a copy to the petitioner; or (3) take no action.

Staff Contact(s): Carolyn Jagger, City Clerk, 480-312-2411, cjagger@scottsdaleaz.gov

No citizen petitions were received.

MAYOR AND COUNCIL ITEMS – None

ADJOURNMENT

The Regular City Council Meeting adjourned at 7:52 P.M.

SUBMITTED BY:

A handwritten signature in blue ink that reads "Carolyn Jagger". The signature is fluid and cursive, with a long horizontal stroke at the end.

**Carolyn Jagger
City Clerk**

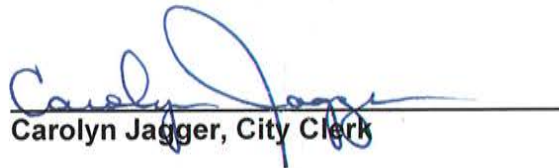
Officially approved by the City Council on March 20, 2018

CERTIFICATE

I hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Regular Meeting of the City Council of Scottsdale, Arizona held on the 20th day of February 2018.

I further certify that the meeting was duly called and held, and that a quorum was present.

DATED this 20th day of March 2018.



Carolyn Jagger, City Clerk

Item 5

Lounge Grocery Cafe

19-ZN-2017

City Council
February 20, 2018

Coordinator: Ben Moriarity

Lounge Grocery Cafe

- Request by owner for a Zoning District Map Amendment from Multi-family Residential, Downtown Overlay (R-5 DO) to Downtown/Downtown Multiple Use - Type 2 Downtown Overlay (D/DMU-2 DO) zoning on a +/- .557-acre site located at 3703 N. 69th Street.

19-ZN-2017

Request

Lounge Grocery Cafe



19-ZN-2017

Context Aerial

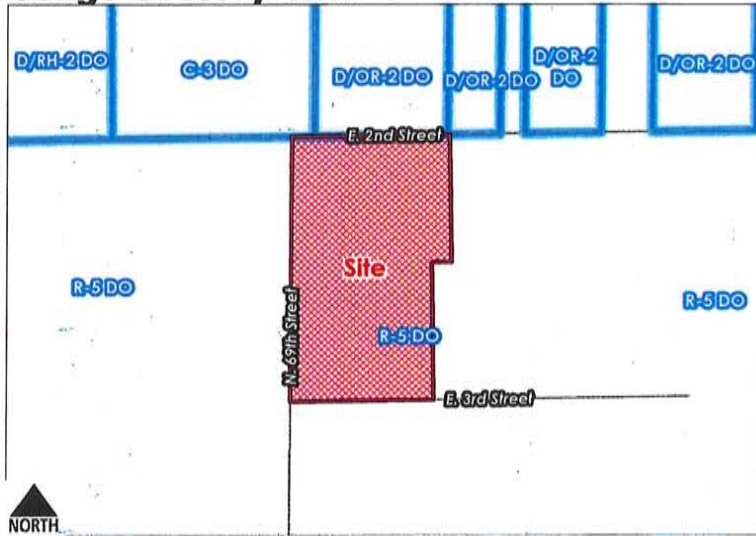
Lounge Grocery Cafe



19-ZN-2017

Close Aerial

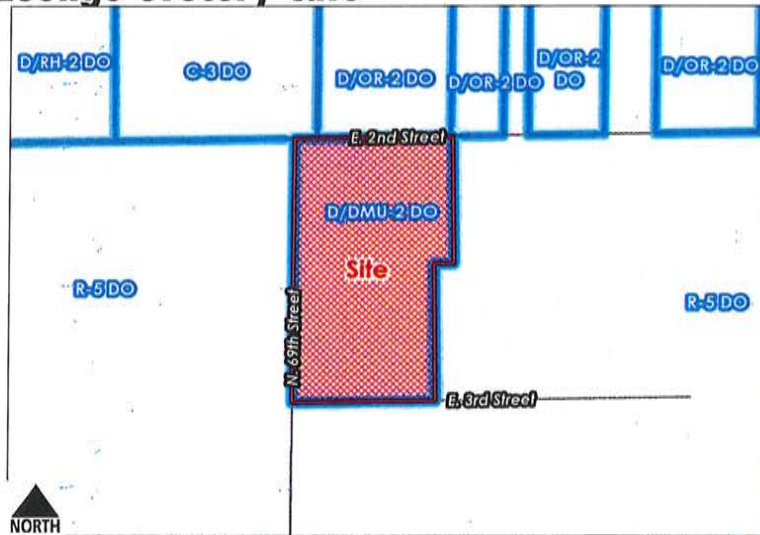
Lounge Grocery Cafe



19-ZN-2017

Existing Zoning

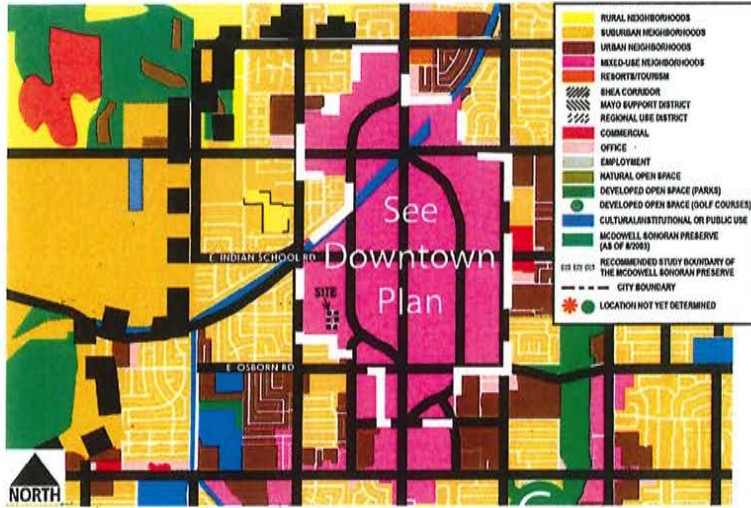
Lounge Grocery Cafe



19-ZN-2017

Proposed Zoning

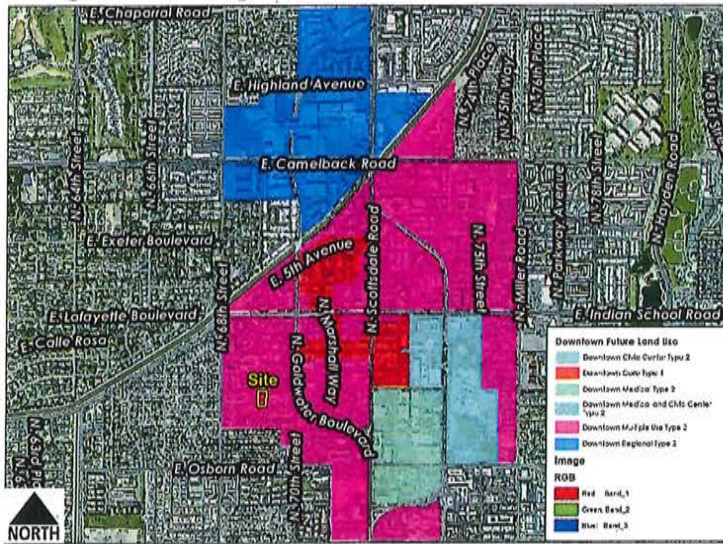
Lounge Grocery Cafe



19-ZN-2017

Proposed Zoning

Lounge Grocery Cafe



19-ZN-2017

Downtown Land Use

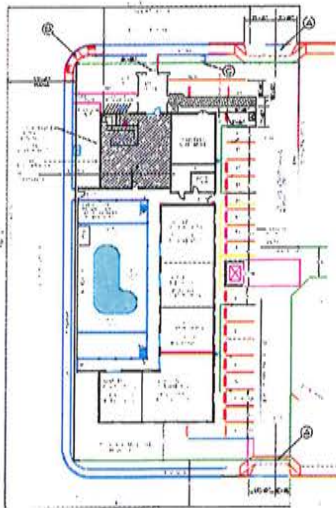
Lounge Grocery Cafe



19-ZN-2017

Downtown Land Use

Lounge Grocery Cafe



19-ZN-2017

Site Plan

Item 5

Applicant Presentation

Zoning District Map Amendment Case# 19-ZN-2017

Carol Garey, Grocery Chef Kitchen LLC.

January 10, 2018

Grocery Chef Kitchen LLC.

- ▶ Carol Garey
 - ▶ Old Town Scottsdale Property Owner and Property Manager
 - ▶ Arizona resident for 20 years
 - ▶ Managing Partner Grocery Chef Kitchen LLC

Project Goal and Objectives

- ▶ Provides a much-needed upscale neighborhood Marketplace for the Old Town Garden Apartment District.
- ▶ This rezoning request to multiple use promotes private investment to the Downtown & its adjacent residential & commercial neighborhood.
- ▶ It further attracts not only new but also re-development to the Downtown area.
- ▶ To achieve this, we will utilize an already constructed apartment complex in "The Lounge" building located at 3703 N. 69th Street, and the acceptance of this request to rezone from R-5DO to D/DMU-2 is necessary to accomplish this.
- ▶ The site plan includes design, parking space layout, secured bike parking, & garbage dumpster enclosure.
- ▶ The goal is to provide a place to shop, eat, & socialize to further connect & improve the quality, safety, & diversity of our neighborhood.
- ▶ Location will support economic vitality in highly sought after community promoting & selling locally produced products.
- ▶ Due to the substantial number of new condos & apartments, this location will prove to be pedestrian & bike friendly.
- ▶ Minimizing the need to drive, thereby reducing road congestion for simple tasks such as grabbing an espresso for breakfast, a quick sandwich for lunch on the garden patio, or purchasing ingredients for dinner.
- ▶ Store hours will be set to not conflict with the serenity of the surrounding areas.

"The Concept" Market place on 69th



Deli, Grocery, Barista, Eat In, Take Out



Citizen and Neighborhood Feedback August 17, 2017

- ▶ *Needed and Necessary*
- ▶ *Fantastic Concept*
- ▶ *A quality Food Market with ready to eat gourmet will be totally what people need and expect in a classy city like Scottsdale*
- ▶ *Finally a local owned grocery and ready to eat food in our neighborhood!
Bravo*
- ▶ *This place has a lovely eclectic atmosphere that will add new charm to the neighborhood. The intended establishment will be beneficial to tenants and allow easy shopping while integrating an interesting cultural experience.*
- ▶ *Restaurant patron and neighbor...totally needed more than welcome when?
ASAP*

Summary

- ▶ The Garden Apartment neighborhood in Old Town is a unique community where residents & visitors enjoy an enhanced standard of quality living.
- ▶ Residents of this neighborhood can walk, ride a bike, or catch a trolley ride to upscale resorts, restaurants, shops, & Museums.
- ▶ Cultural amenities & a range of employment opportunities contribute to Scottsdale's reputation as a premier destination & place to Live / Play / Work.
- ▶ The addition of the Marketplace will further contribute to the fabric of the Downtown.

Item 11

**Scottsdale Gallery Association
Marketing Matching Fund**

City Council Meeting
February 20, 2018

Background

Primary purposes of the Marketing Advertising Incentive Program:

- Provide matching marketing funds through a reimbursement of qualifying marketing paid expenses.
- Encourage innovative and collaborative marketing programs by the business community, hospitality industry and attractions.
- Increase visitation to Old Town Scottsdale by strengthening the area's image as a competitive, attractive, culturally-rich and diverse destination.
- Support projects that reach targeted niche markets.

Analysis & Assessment

- The SGA expanded its Guide to include the city's Public Art and city-owned cultural attractions located within the Scottsdale Arts District.
- Initial printing is 35,000, which will be distributed monthly to at least 25 hotels and resorts and mailed to 4,000 homes that sold for more than \$800,000 in the last five years.
- Second printing of 20,000 copies will be direct mailed to Phoenix Metropolitan homes.
- Includes full page ad promoting Old Town Scottsdale, logos of the City of Scottsdale and Experience Scottsdale on the first page and the back cover of the Guide.

Requested Action

Adopt Resolution No. 11033 authorizing contract No. 2018-028-COS with Scottsdale Gallery Association to match Scottsdale Gallery Association's investment in its 2018 Scottsdale Arts District Guide up to \$30,000.

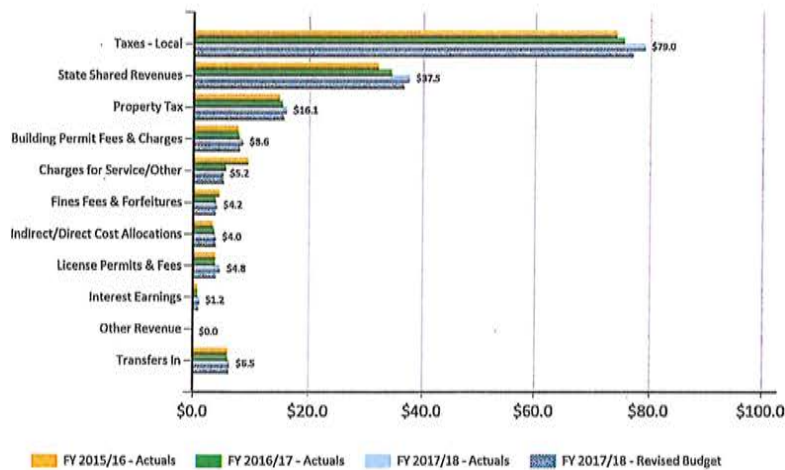
Item 18

Monthly Financial Update As of January 31, 2018

City Council
February 20, 2018

General Fund Operating Sources January 2018: Fiscal Year to Date

(in millions: rounding differences may occur)



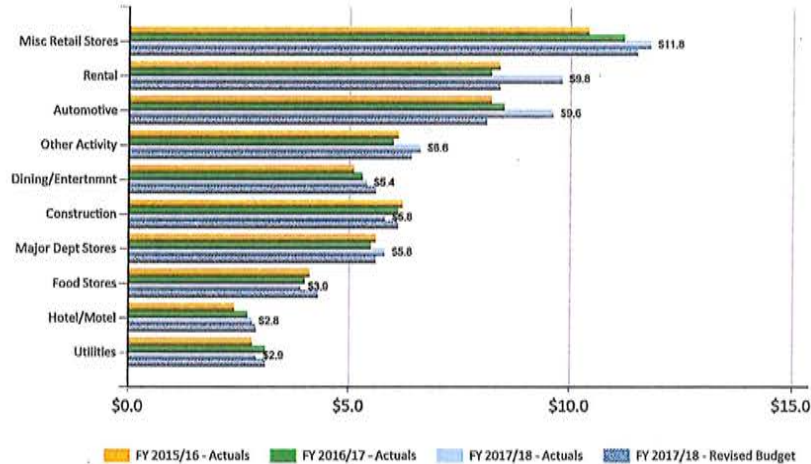
General Fund Operating Sources January 2018 : Fiscal Year to Date

(in millions: rounding differences may occur)

	FY 2015/16	FY 2016/17	FY 2017/18	FY 2017/18	Actual vs. Budget	
	Actuals	Actuals	Actuals	Revised Budget	Favorable / (Unfavorable) Amount	Percent
Taxes - Local	\$74.1	\$75.4	\$79.0	\$77.0	\$2.1	3%
State Shared Revenues	32.0	34.4	37.5	36.6	1.0	3%
Property Tax	14.9	15.4	16.1	15.6	0.5	3%
Building Permit Fees & Charges	7.8	8.0	8.6	8.1	0.5	7%
Charges for Service/Other	9.5	5.7	5.2	5.3	(0.1)	(1%)
Fines Fees & Forfeitures	4.5	3.9	4.2	3.9	0.2	6%
Indirect/Direct Cost Allocations	3.5	3.8	4.0	4.0	-	-
License Permits & Fees	3.9	3.9	4.8	4.0	0.8	20%
Interest Earnings	0.7	0.8	1.2	0.9	0.2	22%
Other Revenue	-	-	-	-	-	n/a
Transfers In	6.0	6.1	6.5	6.3	0.2	3%
Total Sources	\$156.9	\$157.5	\$167.2	\$161.8	\$5.4	3%

General Fund Operating Sources: Sales Tax January 2018 : Fiscal Year to Date

(in millions: rounding differences may occur)



General Fund Operating Sources: 1% Sales Tax January 2018 : Fiscal Year to Date

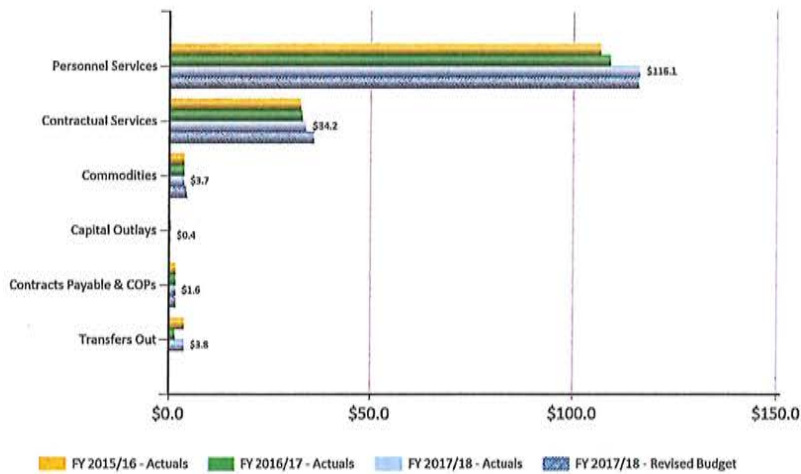
(in millions: rounding differences may occur)

	FY 2015/16	FY 2016/17	FY 2017/18	FY 2017/18	Actual vs. Budget	
	Actuals	Actuals	Actuals	Revised Budget	Favorable / (Unfavorable) Amount	Percent
Misc Retail Stores	\$10.4	\$11.2	\$11.8	\$11.5	\$0.4	3%
Rental	8.4	8.2	9.8	8.4	1.4	16%
Automotive	8.2	8.5	9.6	8.1	1.4	18%
Other Activity	6.1	6.0	6.6	6.4	0.2	2%
Dining/Entertmnt	5.1	5.3	5.4	5.6	(0.2)	(3%)
Construction	6.2	6.1	5.8	6.1	(0.3)	(6%)
Major Dept Stores	5.6	5.5	5.8	5.6	0.2	3%
Food Stores*	4.1	4.0	3.9	4.3	(0.4)	(10%)
Hotel/Motel	2.4	2.7	2.8	2.9	-	-
Utilities	2.8	3.1	2.9	3.1	(0.2)	(5%)
Sales Tax Total	\$59.4	\$60.5	\$64.3	\$62.0	\$2.3	4%

*YTD CIP transfer = \$2.6 million

General Fund Operating Uses: by Category January 2018 : Fiscal Year to Date

(in millions: rounding differences may occur)



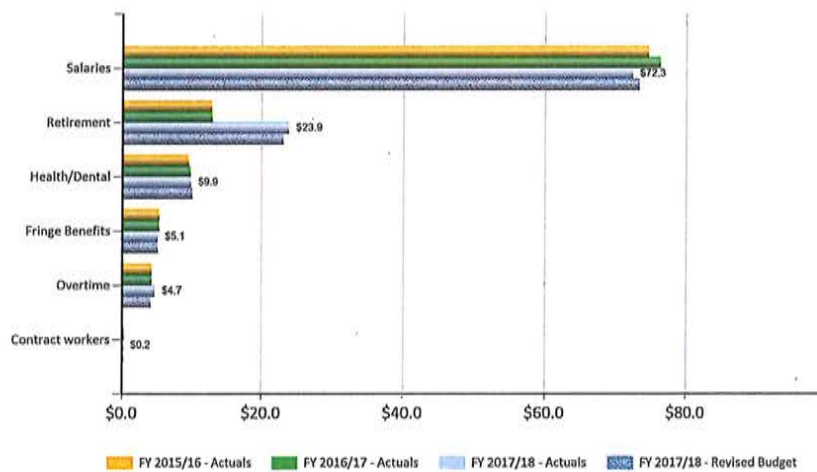
General Fund Operating Uses: by Category January 2018 : Fiscal Year to Date

(in millions: rounding differences may occur)

	FY 2015/16	FY 2016/17	FY 2017/18	FY 2017/18	Actual vs. Budget	
	Actuals	Actuals	Actuals	Revised Budget	Favorable / (Unfavorable) Amount	Percent
Personnel Services*	\$106.7	\$109.0	\$116.1	\$115.9	(\$0.3)	0%
Contractual Services	32.9	33.3	34.2	36.2	2.0	5%
Commodities	3.6	3.6	3.7	4.2	0.6	14%
Capital Outlays	0.1	0.5	0.4	-	(0.3)	nm
Contracts Payable & COPs	1.6	1.6	1.6	1.6	-	-
Transfers Out	3.7	1.4	3.8	-	(3.8)	n/a
Total Uses	\$148.7	\$149.4	\$159.7	\$158.0	(\$1.8)	(1%)
*Pay Periods thru January:	16	16	15			

General Fund Operating Uses: Personnel Services January 2018 : Fiscal Year to Date

(in millions: rounding differences may occur)



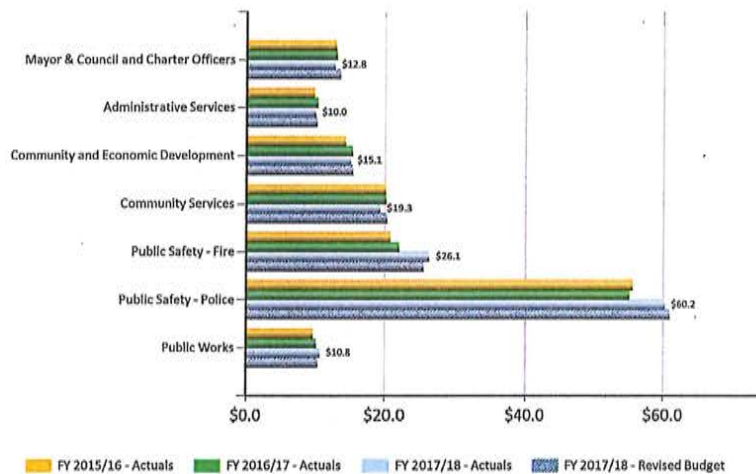
General Fund Operating Uses: Personnel Services January 2018 : Fiscal Year to Date

(in millions: rounding differences may occur)

	FY 2015/16	FY 2016/17	FY 2017/18	FY 2017/18	Actual vs. Budget	
	Actuals	Actuals	Actuals	Revised Budget	Favorable / (Unfavorable) Amount	Percent
Salaries*	\$74.6	\$76.3	\$72.3	\$73.3	\$1.0	1%
Retirement	12.9	13.0	23.9	23.1	(0.8)	(4%)
Health/Dental	9.5	9.8	9.9	10.1	0.2	2%
Fringe Benefits	5.3	5.3	5.1	5.1	-	-
Overtime	4.2	4.2	4.7	4.1	(0.6)	(15%)
Contract workers	0.1	0.3	0.2	0.2	-	-
Personnel Services Total	\$106.7	\$109.0	\$116.1	\$115.9	(\$0.3)	0%
*Pay Periods thru January:	16	16	15			

General Fund Operating Division Expenditures January 2018 : Fiscal Year to Date

(in millions: rounding differences may occur)



General Fund Operating Division Expenditures January 2018 : Fiscal Year to Date

(in millions: rounding differences may occur)

	FY 2015/16	FY 2016/17	FY 2017/18	FY 2017/18	Actual vs. Budget	
	Actuals	Actuals	Actuals	Revised Budget	Favorable / (Unfavorable) Amount	Percent
Mayor & Council and Charter Officers	\$13.0	\$13.1	\$12.8	\$13.6	\$0.8	6%
Administrative Services	\$9.8	\$10.4	\$10.0	\$10.2	\$0.2	2%
Community and Economic Development	14.4	15.4	15.1	15.5	0.3	2%
Community Services	20.1	20.2	19.3	20.3	1.0	5%
Public Safety - Fire	20.7	22.0	26.1	25.4	(0.8)	(3%)
Public Safety - Police	55.6	55.2	60.2	61.0	0.8	1%
Public Works	9.7	10.2	10.8	10.4	(0.3)	(3%)
Total	\$143.4	\$146.4	\$154.4	\$156.3	\$2.0	1%

General Fund Results: Summary January 2018 : Fiscal Year to Date

(in millions: rounding differences may occur)

	FY 15/16	FY 16/17	FY 17/18	FY 17/18	Actual vs. Budget	
	Actual	Actual	Actual	Budget	Fav/(Unf)	%
Sources	\$156.9	\$157.5	\$167.2	\$161.8	\$5.4	3%
Uses	\$148.7	\$149.4	\$159.7	\$158.0	(\$1.8)	(1%)
Change in Fund Balance	\$8.2	\$8.1	\$7.5	\$3.8	\$3.6	

Item 19

**Council Capital
Improvement Plan
Subcommittee
Recommendations**

February 20, 2018

**FY 2018/19 – FY 2022/23
CIP Project Requests Summary**
(in millions)

General Fund – 118 projects	\$534.1
Transportation Sales Tax – 87 projects	\$275.9
Total Requests	<u>\$810.0</u>

Capital Improvement Plan Needs

(in millions)

General Fund Requests	\$534.1
General Fund Funding Available	(\$15.1)
Removal of Scottsdale Stadium Redesign	(\$42.0)
Removal of Desert Discovery Center	(\$68.4)
Remaining General Fund Requests	<u>\$408.6</u>

Capital Improvement Plan Needs

(in millions)

Transportation Sales Tax Requests	\$275.9
Transportation Sales Tax Funding Available	(\$18.0)
Remaining Transportation Sales Tax Requests	<u>\$257.9</u>

**Remaining List of
Unfunded Capital Needs**
(in millions)

General Fund	\$408.6
Transportation Sales Tax	\$257.9
Total Requests	\$666.5

**Council CIP Subcommittee
Recommendation**

Implement a funding strategy to generate \$350 million of capital investment opportunity for the city with a combination of general obligation bonds, Transportation and General Fund sales Tax increases, or storwater fees, as determined by the full City Council

3-0 Vote

General Obligation Bonds

Bonding Capacity Considerations

- State Statute Limitation
- Rating Agency Evaluations
- Taxpayer Impacts

GO Bonds – State Statute Limitations

GO Bonding Capacity

Limitation – 6% or 20% of Net Full Cash Assessed Value (NFC AV)

6% - General Municipal Purpose (Administrative Facilities, Economic Development, Sports Facilities)

20% - Streets, Parks/Open Space, Police/Fire, etc.

GO Bonds – State Statute Limitations

FY 2017/18 NFCAV is \$6.9 billion

Total 6% GO Bonding Capacity \$416.5 million

6% GO Bond Outstanding \$26.1 million

Available 6% GO Bond Capacity \$390.4 million

GO Bonds – State Statute Limitations

2017/18 NFCAV is \$6.9 billion

20% GO Bonds Capacity \$1.4 billion

20% GO Bond Outstanding \$546.7 million

Preserve GO Bonds Outstanding

Includes premium of \$11.5 million

Available 20% GO Bond Capacity \$830.1 million

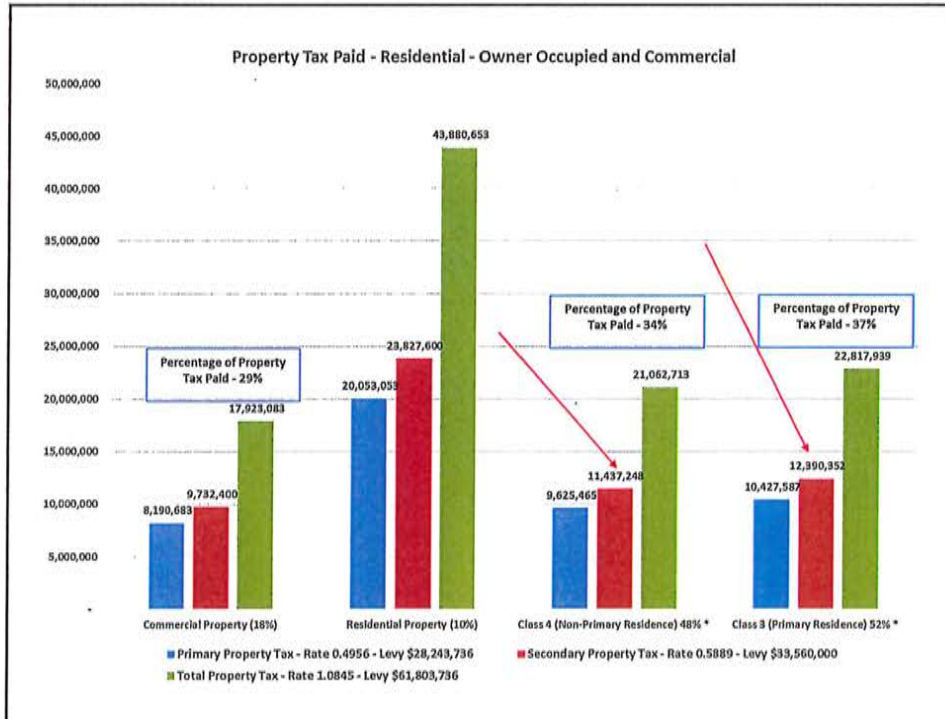
GO Bonds – Rating Agency Evaluations

The City maintains a strong AAA general obligation bond rating:

Moody's	Aaa
Standard and Poor's	AAA
Fitch Rating	AAA

A new bond authorization is not expected to deteriorate this rating which is based on:

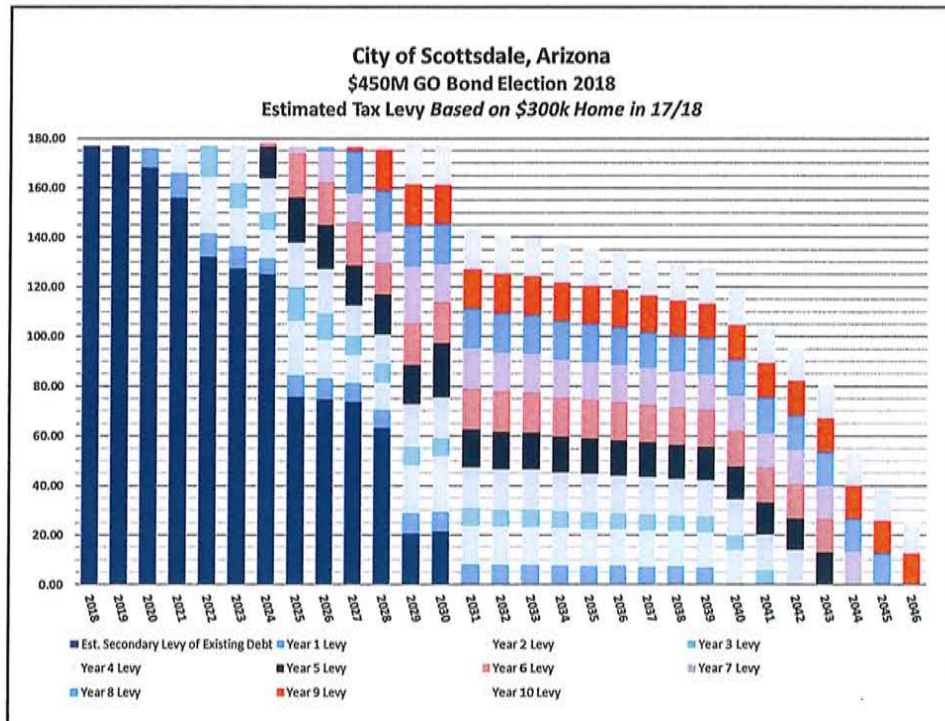
- Strong management practices
- Sound fiscal operations
- Strong general fund reserve levels
- Favorable debt structure and ratios
- Deep and diverse economic base



CIP Subcommittee Follow Up Items

- **Class 4 (Non-Primary Residence)**
48% - 64,378 units
- **Class 3 (Primary Residence)**
52% - 69,350 units

Total of 133,728 units



GO Bonds

Tax Impact

- **\$450 million Bond Authorization**
- **\$300,000 Residential Property**
 - \$0.45/day
 - \$13.50/month
 - \$166.50/year

GO Bonds

Tax Impact

- **\$450 million Bond Authorization**
- **\$1 million Commercial Property**
 - \$2.75/day
 - \$85.50/month
 - \$1,003.50/year

GO Bonds

Pros

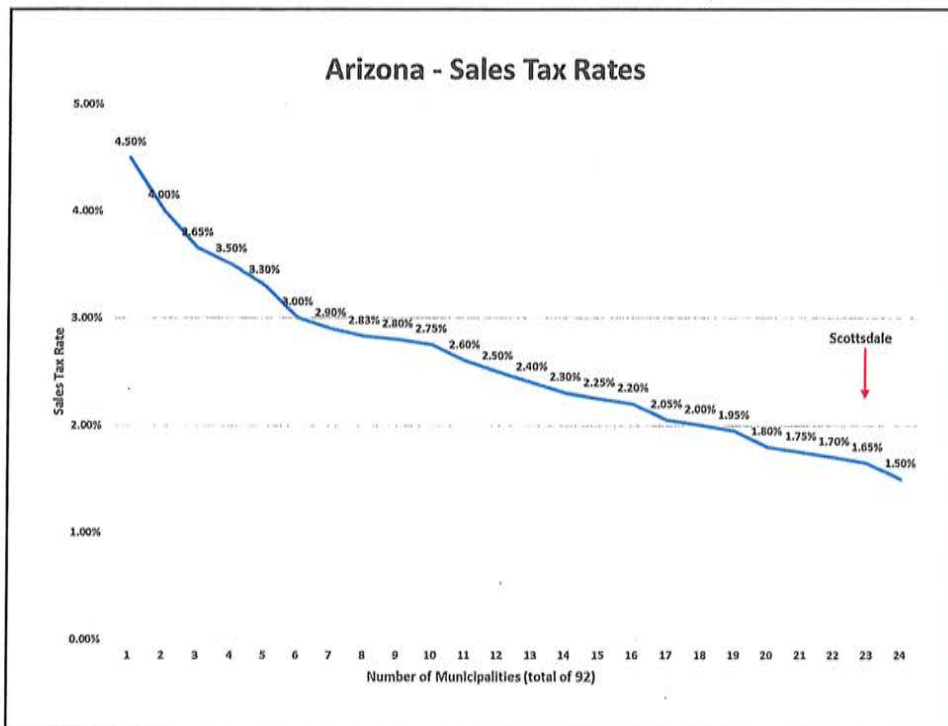
- Infrastructure is delivered when needed
- Spreads cost over useful life of asset
- Increase capacity to invest
- Capital Investment beneficiaries pay for projects
- Ensures matching funds benefit our community
- Borrowing costs

Cons

- Borrowing costs
- Debt payments limit future budget flexibility
- Diminishes choices in the future
- Future residents pay for improvements
- Limited flexibility to change project priorities when circumstances may require it
- Voter approval varies among districts

Sales Tax

- **Current Transaction Privilege (sales) Tax is 1.65%**
 - 1.0% General Fund
 - 0.2% Transportation Fund (50/50 split)
 - 0.2% Preserve Fund (expires 2025)
 - 0.15% Preserve Fund (expires 2034)
 - 0.10% Public Safety



Sales Tax

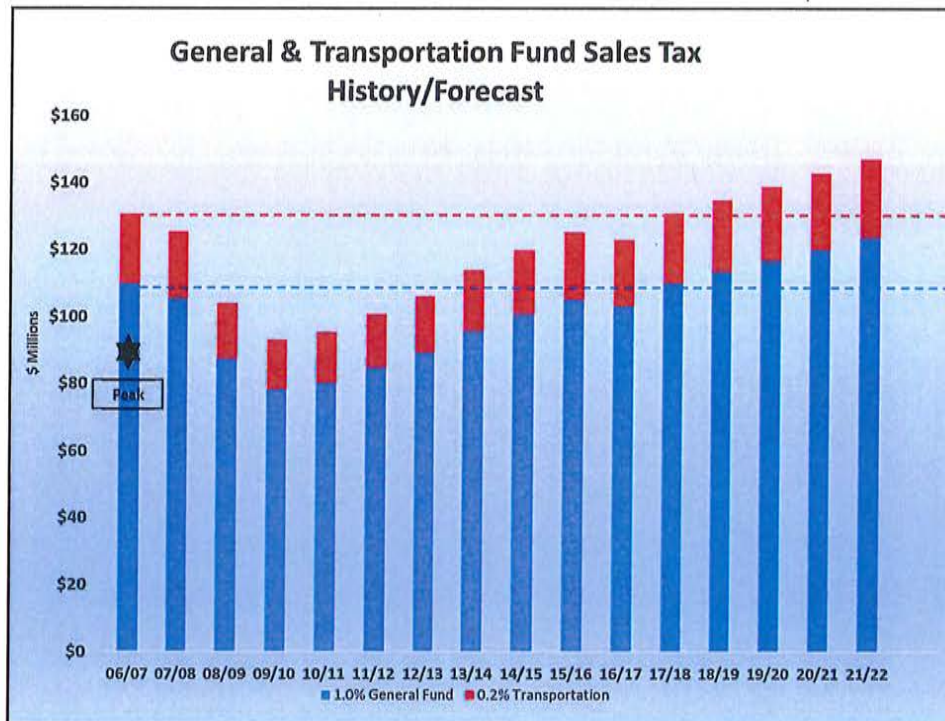
0.10% sales tax increase
 •\$10 million annually

0.20% sales tax increase
 •\$20 million annually

0.30% sales tax increase
 •\$30 million annually

Sales Tax - Secured Bonds (MPC)

- One tenth of one percent (0.10%) sales tax raises approximately \$10 million annually and would fund up to \$133.3 million 20-year MPC bond program
- Two tenths of one percent (.20%) sales tax produces approximately \$20 million annually and would fund up to \$266.6 million 20-year MPC bond program
- Three tenths of one percent (.30%) sales tax produces approximately \$30 million annually and would fund up to \$399.9 million 20-year MPC bond program



Sales Tax - Bonds (MPC)

- **Municipal Property Corporation**
 - Non-profit corporation created in 1967
 - Sole purpose is to construct, acquire and equip buildings, structures, or land improvements for the City
 - Governed by Board of Directors confirmed by City Council
 - For financial reporting purposes, transactions are included as a governmental and proprietary fund type as if part of the City's operation

Sales Tax - Secured Bonds (MPC)

- **Debt Management Policy 31**
 - Non-voter approved debt will be utilized only when a dedicated revenue source can be identified to pay, or reimburse the City for paying, debt service expenses
 - Project requires monies not available from other sources
 - Matching monies are available which may be lost if not applied for in a timely manner

Sales Tax - Secured Bonds (MPC)

Pros

- Infrastructure is delivered when needed
- Spreads cost over useful life of asset
- Increase capacity to invest
- Capital Investment beneficiaries pay for projects
- Ensures matching funds benefit our community

Cons

- Borrowing costs
- Debt payments limit future budget flexibility
- Diminishes choices in the future
- Future residents pay for improvements

Stormwater Fee

- Current Stormwater Fee
 - \$1.10 month
 - \$0.85 to General Fund
 - \$0.25 to Sewer Fund

Stormwater Fee

Increase of \$2.00 month

- \$2.17 million annually

- Would fund up to \$29.0 million
20-year MPC bond program

Funding Options

Type	Leveraged	Total
\$450M GO Bonds	N/A	\$450M
0.1% Sales Tax	\$133M MPC Bonds	\$133M
0.1% Sales Tax	N/A	\$10M/Year
0.2% Sales Tax	\$266M MPC Bonds	\$266M
0.2% Sales Tax	N/A	\$20M/Year
0.3% Sales Tax	\$399M MPC Bonds	\$399M
0.3% Sales Tax	N/A	\$30M/Year
+\$2/Mo. Stormwater Fee	\$29M MPC Bonds	\$29M