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CALL TO ORDER

[Time: 00:00:05]

Mayor Lane: All right. We are good to go. I would like to call to order the November 26th, 2018, Regular City Council meeting. It's approximately 5:00.

ROLL CALL

[Time: 00:00:13]

Mayor Lane: We will start with a roll call, please.

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

Carolyn Jagger: Vice Mayor Guy Phillips.

Vice Mayor Phillips: Here.

Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilmember Klapp: Here.

Carolyn Jagger: Virginia Korte.

Councilwoman Korte: Here.

Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

Carolyn Jagger: David Smith.

Councilman Smith: Present.

Carolyn Jagger: City Manager Jim Thompson.

Jim Thompson: Here.

Carolyn Jagger: City Attorney Bruce Washburn.

Bruce Washburn: Here.

Carolyn Jagger: City Treasurer Jeff Nichols.

Jeff Nichols: Here.

Carolyn Jagger: City Auditor Sharron Walker.

Sharron Walker: Here.

Carolyn Jagger: And the Clerk is present.

[Time: 00:00:38]

Mayor Lane: Thank you very much. Some items of business. We have cards if you would like to speak for public comment and for any of the agenda items. That's the white cards the city clerk is holding up over her head now and if you would like to give us any written comment on any of the agenda items, it's the yellow card over her head right now and we will be reading those cards in the course of the proceedings and you will be called upon to speak on the others. We have Scottsdale

Police officers here to assist. If you have a need for anywhere assistance and the area behind the Council dais are reserved for Council and, if you have need for rest room facilities, they are over here to my left under that exit sign there.

PLEDGE OF ALLEGIANCE

[Time: 00:01:45]

Mayor Lane: Unless, they are hiding amongst the crowd, we do not have Troop 583 here and I don't think they are here unless someone wants to resurrect their youth out there. But in any case, please, I would ask that Councilman Smith lead us in the pledge.

Councilman Smith: I pledge allegiance to the flag of the United States of America, and to the Republic for which it stands: One nation under God, indivisible, with liberty and justice for all.

INVOCATION

[Time: 00:02:08]

Mayor Lane: Thank you. And we do have for the invocation, Rabbi Ariel Shoshan. He's one of our chaplains with the Scottsdale Police Department. Rabbi, welcome.

Rabbi Shoshan: Thank you. Almighty God, instill within our Mayor and the City Council, the deep understanding that that day holds as they work together for the common good of all people in our great city and the valley of the sun. Bestow your blessings on the Mayor and this Council that their deliberations be just and justice, and guide them with your kindness and shower them with your love. Open their hearts to love, give them the strength and the security to secure the strength of this city and the Police department and the Fire department and the first responders who care for our lives as they are called to risk their own. We ask you God, to bless each and every member of this important body with the same courage that has been exhibited by the leaders that have proceeded them. In order to fulfill the vision and the purpose of the great city, for us and all who will follow in the future. Bless us all with the life of peace, goodness, physical health, mental health, a life without shame or disgrace, and a life with honor and dignity and a life within which our heart's desires are fulfilled for good. Amen.

MAYOR'S REPORT

[Time: 00:03:53]

Mayor Lane: Amen. Thank you, Rabbi. This past Saturday, we kicked off the Scottsdazzle in old town Scottsdale with the tree lighting ceremony and sing along. Most of us here on the dais participated in that sing along and people did suffer through it but we were okay. There were many others that filled in the gaps. I hope you all are able to make it out to Scottsdazzle. It's a month-long celebration of the season, really for us here in Scottsdale and every Saturday night there's

concerts downtown on the waterfront and throughout downtown. So please, try to get yourselves into downtown for some of the excitement and just the holiday spirit. I would like to say good luck to the Saguaro Saber Cats as they take on the Catholic Lancers in their bid to win the sixth straight 4a in Tucson. Six years in a row, it's quite an accomplishment.

PRESENTATIONS/INFORMATION UPDATES

[Time: 00:04:57]

Mayor Lane: We do have presentation, a 2018 Spirit of Scottsdale Award. We have Jennifer Fabiano, Neighborhood Advisory Commission chair. I believe she's here. Yes, please come on up. To make some presentations.

[Time: 00:05:23]

Jennifer Fabiano: Good evening. Mayor Lane and Councilmembers, as members of the Neighborhood Advisory Commission, we are here tonight to present the 2018 Spirit of Scottsdale awards and these awards recognize people that, and places that embody the Spirit of Scottsdale. Do we, okay. The 2018 program includes nominations from locations in south Scottsdale, generally described as Indian Bend south, inclusive of Old Town and categories that include single family, multifamily, nonresidential, and the Spirit of Scottsdale. The recipients mentioned tonight were selected at our October meeting. We would now like to briefly highlight the winners from each category and ask that those in attendance come forward to be recognized when your name is called.

Rachel Putman: All right. For our single family residential, we would like to congratulate the Alis who unfortunately are not able to join us this evening for their transformation of their mid-century modern home at 5002 North Scottsdale Road. For our multifamily residential, the Carter, located at Scottsdale Road and Osborn Road, this nomination was made in large part for their developments unique design style multifamily development in south Scottsdale.

Jennifer Fabiano: The recipients of the awards are receiving a lawn sign that they can place on their property and also Soleri bells.

Rachel Putman: In the nonresidential category, we had a split vote amongst the Commission. We have two winners. We would like to congratulate Hotel Adeline for its unique renovation of a long-standing hotel. And the second winner, Goldwater Brewing located on Scottsdale Road just north of the Goldwater curve, one of my personal favorites, nominated for their friendly atmosphere and the connections that this operator makes with goodwill efforts throughout the community.

And one of our favorite awards that we get to give out as part of the commission is the Spirit of Scottsdale award. This category focuses on how an organization, school, club, group, or person has created an environment that positively impacted a neighborhood. This award goes to Ron Ross who tirelessly volunteers throughout the city, most notably assisting the Operation Fix It Program. Congratulations.

Jennifer Fabiano: We would like to thank the community for all the nominations, those that were nominated and to you, Mayor and Council, for your time this evening. We look forward to the 2019 program and continuing to recognize those people and places that embody the Spirit of Scottsdale. Thank you.

Mayor Lane: Well, thank you, ladies and thank the Neighborhood Advisory Commission for this award process that you have. It's brought a nice element to that Commission and it certainly is well worth the effort to recognize some great properties and some great folks here in our community that help our community. So congratulations to all winners as well from the entire Council and myself. Thank you.

PUBLIC COMMENT

[Time: 00:10:27]

Mayor Lane: Okay. Our next order of business is public comment is reserved for citizen comments regarding non-agendized items of which no action will be official, official action will be taken on these items. Comments are limited to issues within the jurisdiction of the City Council. Speakers are limited to three minutes of each. There's no combining of time. And we have three requests for public comment. I will start with Dennis Hall.

[Time: 00:11:11]

Dennis Hall: Mr. Mayor, Councilmembers. I'm glad to be here. I'm a long-time Scottsdale resident myself. I have been here over 23 years. I'm also a swimmer and I'm currently the chair of the, I'm of the Neptune Swimming Foundation and my purpose here today is to bring to your attention a small policy that is being drafted by the Parks and Recreation department, which we think is going way down the wrong direction. The problem is this, they are drafting what is called the Youth Aquatics Facility Allocation Policy. And associated with us is Swim Neptune, who is a long-established youth swimming, USA swimming youth organization. And it simply wants a fair chance to bring its participants, which include 103 Scottsdale residents into the Scottsdale pools.

Now, the problem is this, that in drafting this new policy, we believe it's being written so that it unfairly favors the current club, and prevents actually any other club from having a fair chance or any chance of getting lane space at the pools. It's being done in this way. One is that the policy itself explicitly states that they give historical preference. That is, to the existing club. There's another rule that's been written in, which has I believe, no rational basis, which says there can only be one club at a time at the pool. You have been to the pool and there are lots of lanes there and it's frequent in swimming that different teams share pools. There's no basis. For that.

What's most problematic, we think, is that Scottsdale, the current club that is there has been, we think, unjustly favored over the years. In fact, the current, we believe, market rate for lane space is something like \$12 an hour. And they currently are paying \$3 an hour. We are willing to pay

current market rate. We think the pool should do that. But we received feedback from Parks and Recreation, saying that there's a Resolution 1120, which fixes the rate at \$3 an hour. So what we're looking for and I have provided more thorough written comments to this, is simply that, that the Council make certain that the Parks and Recreation department in doing this draft allocation of policy provide a fair chance for all Scottsdale residents to be able to choose the team of their choice to have a chance to swim in the Scottsdale pools. All right, number one.

Number two, the allocation policy should not express a preference for the historical club. We need to look into the future. The present club is a great club. There are other great clubs. There shouldn't be a restriction then that says that two clubs can't be at the same pool at the same time. The effect of those rules, plus the restriction that the Council has of \$3 a lane, one, it leaves an awful lot of money on the table that the city of Scottsdale should be able to use for these pools and residents. So we would ask that the Council direct Parks and Recreation to have clubs pay a fair market rate when they allocate space at the pool. I'm available any time for comments. Thank you very much.

Mayor Lane: Thank you, Mr. Hall. Next will be Howard Myers.

[Time: 00:15:34]

Howard Myers: Sorry. Thank you, Howard Myers 6631 East Horned Owl Trail in Scottsdale. I would like to thank all of our volunteers and citizens who voted yes on Proposition 420 and I would like to thank the four Councilmembers who supported it as well. A big thank you as well. People want a voice, not just in the Preserve but on other development in the city. 420 passed every precinct 71% to 29% overall but the lowest percentage was 63% in any district. It shows citywide support for the charter amendment, and you can't say it's just north or south. And they are still opposed to tax increases. All the results in the election kind of validate everything that Councilwoman Littlefield told you and many of you refused to believe. Maybe you should listen to her because she's in contact with most of the citizens and knows what's going on. She won in 51 of the 53 precincts. She was number one.

Citywide support of Council-friendly candidates, they want a voice. There's been a lot of pissed off residents and they don't like the direction that the city is taking and they don't trust the City Council to keep it going in the right direction. Our volunteers talked to a lot of residents, talked to a lot of residents. The thing we are universally united around is that we want to protect the Preserve. The vote clearly showed that but also opposition to changing the city in a big city. Opposed all the high-rise dense apartments that block our views and change our character and all the businesses that come in and don't really contribute anything to the city but both of those things stress our infrastructure and cost the city far more than they are bring into the city. That's why we are in financial trouble and decreases our quality of life.

We have reason to believe there may be somebody on the Council who is directing employees which is in violation of Section 17 (B) we were told that city employees were not allowed to sign the petition and the way the development goes through this process, without any consideration, and without any

plan a lot of times and staff has always come up, we recommend approval. Why? We have donors with big money who are willing to fix this problem and willing to spend money on a lawyer which surprised me. I ask anybody with proof, contact me and I will keep everything totally confidential but together, we really can fix this problem and we have to fix this problem to get this city going in the right direction. And this is the first thing you have to do in order to gain citizen trust again. The citizens have spoken. I hope you will listen. Thank you.

Mayor Lane: Thank you, Mr. Myers. Next is Betty Janik.

[Time: 00:18:39]

Betty Janik: Hello. My name is Betty Janik. Live at 18490 North 97th Way. And I want to thank you, Mayor, and City Councilmembers for allowing me to speak this evening. First of all, I wanted to call your attention to the ad that we ran to thank all the people who supported us in the election. And I will read a little bit. Together, we protected our Preserve now and into the future. A big thanks to all the citizens who donated their time and money to get this charter change on the ballot, and get it passed by the voters. They are the real heroes." Also our sincere appreciation of all the voters who voted yes. Now, a little bit about me.

I have been the treasurer of P.O.P. since it was formed back in July of 2016. But one of the major roles I had in this organization was to keep all the moving parts going in the same direction at the same time. And I knew if we stayed united, we would succeed. We did stay united and we did succeed with over 71% of the yes votes for Prop.420. Now, right now, there are a lot of hard feelings on both sides after a very bitter election cycle. From anonymous incendiary news briefs sent out via the Internet, from some, not all, but some D.D.I.C. supporters to name calling by some of the yes, sir, Prop.420 supporters, in addition to wasteful, frivolous claims of campaign violations. We are better than this. Scottsdale is better than this. We have serious problems to solve, most notably crumbling infrastructure and significant budget shortfalls. Just like the Prop. 420 campaign garnered the support of over 70,000 voters, if we work together, all of us, as one unit, we can solve all of these problems. So my challenge to you, to all of us today, now, is do you want to continue the fight or do you want to solve the problems? P.O.P. and P.O.P. PAC are prepared to work together to solve these problems for the betterment of our community which we all love and appreciate. The ball is now in your court. How will you respond? Thank you.

Mayor Lane: Thank you, Ms. Janik. That completes our public comment at this stage.

CONSENT AGENDA

[Time: 00:21:30]

Mayor Lane: We will move on to the Consent items. 1 through 25. With a note that Item 17, the Pari-Mutuel Wagering on Telecast Racing Events has been removed by staff. We have requests to speak on Item 16, Tom Arthur.

City Clerk Carolyn Jagger: He's declined to speak, Your Honor.

Mayor Lane: Oh, all right. Okay. Okay. Then that fills out the need for any of the Consent items to be spoken toward. With that one pari-mutuel, Item 17 removed. Unless there are any comments from the Council, seeing none, I would accept a motion to approve the Consent Items 1 through 25, less Item 17.

Councilwoman Littlefield: Move to approve.

Councilwoman Klapp: Second.

Mayor Lane: The motion has been made by Councilwoman Littlefield and seconded by Councilwoman Klapp. Seeing no further comments or conversation on it, we are then ready to vote. All those in favor, please indicate by aye and register your vote. Aye. Consent items pass unanimously, thank you very much. If you are here for the Consent items you can stay with us or you could leave, but please do that quietly.

REGULAR AGENDA

[Time: 00:23:22]

Mayor Lane: Moving on for the next item of business and that's the Regular Agenda Items 26 through 29, we start with 26. Fiscal year 2017/18 Annual Financial Audit. The presenter here is Sharron Walker, our City Auditor. Ms. Walker. Welcome.

ITEM 26 – FISCAL YEAR 2017/18 ANNUAL FINANCIAL AUDIT

[Time: 00:23:29]

City Auditor Sharron Walker: Thank you, Mayor, members of the Council. Your agenda materials for this item tonight, as usual, are almost 500 pages long. The C.P.A. firm Heinfeld and Meech is about the reports and they are only about 70 pages. That's what I will summarize for you and then the City Treasurer will present the audited financial results which are in the other 400 plus pages financial statements and analysis and disclosures.

So first for the public, I will give the background. The city charter makes the City Council responsible for the financial audit. The Council has signed the contract administration to the City Auditor. And representing the Council, the Audit Committee meets with the C.P.A. firm at the beginning and end of each of the annual audits and these reports were received on November 13th and the Audit Committee recommended that it be presented to the Council for acceptance. So the annual financial audit encompasses the city and its seven component units, and so those seven include the five community facility districts, the MPC and the SPA and the audit itself covers two types of reports, the annual financial reports and reports on internal control and compliance.

So first, the report on the city's CAFR and each of the component units annual financial reports was what is referred to as a clean opinion, which means that the audit firm concluded the financial statements are fairly presented in all material respects. Related to each of those financial audits, the firm also issued what's referred to as a communication to governance letter. The auditing standards required that the C.P.A. firm communicate to the governing body so that they're aware of significant accounting practices and estimates, any audit adjustments, disagreements with management, and similar matters. And there were no issues identified in any of these eight letters. To those communications, the C.P.A. firm also attached the management representation letters for each of the financial reports. And in these letters, the City Treasurer and key staff acknowledged their responsibility for the preparation and the presentation of the financial statements. And several other items like providing relevant information during the audit. So the second category of reports that are provided from the audit are required because the city received federal and state funding.

So first, any government, any government spending, more than \$750,000 in federal funding has to have what's referred to as a single audit. And the auditor has to perform specific testing and reporting. So the city's federal financial schedule showed that the city spent more than \$20.5 million, in fiscal year 2017/18. And of that, the federal transportation agencies provided the largest portion of the money, about 12.8 million. The C.P.A. firm gave a clean opinion on the city's federal financial schedule, that is that it's fairly presented in all material respects. So that single audit report package also includes two internal controlling compliance reports. One is based on the financial statement audit, and the second is based on federal, compliance with federal funding requirements.

[Time: 00:28:05]

So related to the first report, the C.P.A. firm repeated two financial control findings from last year that were related to purchase requisition and cash receipt voice needing to have consistently documented supervisory review and approval. And the one audit comment to federal compliance was for the airport improvement programs procurement process. The individuals administering one of the three tested procurements did not sign the required conflict of interest statements. Also included in the single audit report package is the management response to the comments and the City Treasurer's office response reported they are developing an in-house system that's expected to go live in the next month or two, that will assist in documenting purchase approval prior to the P.O. being issued. And they also are going to continue working on cash handling training, procurement training and guidance, to help ensure that all requirements are met.

So this year, the CPA firm also provided a management letter. They recommended that the city adopt formal policies and procedures to check a federal tracking system to determine whether vendors are suspended or debarred, and some areas of the city, they use some alternate methods. So this is not a noncompliance issue. It's just a recommendation they make that's based on best practices. And then similarly, state wants some assurance that the HURF monies and related transportation monies have been used in accordance with state requirements. The C.P.A. firm reported that the city did comply with those requirements and then finally, there are two other reports that are completed later. One is a federal requirement, one is a state requirement, and they are usually completed in January and February. So the requested action, which would be by motion,

is that the Council formally accept the fiscal year 2017/18 annual financial audit reports as recommended by the Council's Audit Committee. And I would be happy to take any questions.

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Mayor Lane: Thank you, Ms. Walker. I appreciate that analysis of the annual report from the outside auditors. I had a quick question and it may be just from the standpoint of information for everyone who may be listening and paying attention to the federal funds \$20.5 million. Those are the federal funds that come to us directly for our city streets, not including those funds that come through M.A.G. or regional efforts, is that accurate?

Sharron Walker: The schedule of federal expenditures would include all federal funds and within that financial schedule, it will designate any monies received directly and it will designate any monies that flowed through other agencies such as M.A.G. or the city of Phoenix.

Mayor Lane: So the \$20.5 million is the regional and local efforts.

Sharron Walker: Yes, it's for all expenditures.

Mayor Lane: Council woman Klapp.

Councilwoman Klapp: I would like to make a motion to accept the fiscal 2017/18 annual financial audit report submitted by the city's external auditors, Heinfeld Meech.

Councilwoman Littlefield: I will second that.

Mayor Lane: The motion has been made to accept the audit as it's been presented to us, and by Councilwoman Klapp and seconded by Councilwoman Littlefield. I'm ready to vote unless there are any questions. Seeing no, all those in favor, with an aye and those opposed with a nay. It's unanimous. Thank you, very much, Sharron.

ITEM 27 – FISCAL YEAR 2017/18 FINANCIAL UPDATE AND USE OF YEAR-END GENERAL FUND AND TRANSPORTATION FUND UNDESIGNATED, UNRESERVED FUND BALANCE

Mayor Lane: The next order of business then as advertised previously, fiscal year 2017/18 financial update and the use of the year-end General Fund and transportation fund, undesignated unreserved fund balance. And our Treasurer, Mr. Nichols is here to present. Welcome.

[Time: 00:32:48]

City Treasurer Jeff Nichols: Thank you, Mr. Mayor. I would like to recognize the people that are responsible for all the work that goes into the reports that the City Auditor just talked about. The city just received a notice of its 45th Award of Excellence in Financial Reporting from the GFOA, the Government Financial Officers Association. Because of our continued excellence in financial reporting, some may take this job for granted, and just think it's a given that we receive this award. I never do because there are many municipalities in this state and the United States that don't receive a

similar award, even though they apply for it. So I would like to take a moment to thank the accounting staff, whose dedication to accurate accounting and financial reporting work throughout the year to make this possible.

In addition, they are to be commended for the amount of time and effort needed to compile the MD&A, the Management Discussion Analysis, financial statements, the notes to the financial statements, all the required supplementary information and statistical section at the end of the fiscal year as noted by the City Auditor, more than 500 pages of documentation about how we account for the funds within the city that have fiduciary responsibility for. I would like to specifically thank Joyce Gilbride, and Anna Henthorn. They are both in the audience tonight. I would like to thank the balance of the accounting staff which is Hank Dabibi, Cindy Ensign, Spencer Bry, Robin Melhad, Gwen, Leslie, Deb Ramirez, and the Accounts Payable team and the Payroll team.

But in addition to these people, our financial statements compare budget to actual. And so the budget team led by Ms. Doyle, our budget director has a large part in assisting with the preparation of these financial statements. And I need to also recognize all the people, the staff that are embedded within the city departments whether it be city services, the Police department, Fire, water, all throughout the city, we have people that are responsible for the financial, financial, purchasing, the requisitions, the payments, and without their help, I don't think we would get these clean, unmodified opinions that we get year in and year out. That is rather unusual. So I just wanted to say that before I started my, my presentation to you all.

[Time: 00:35:29]

So looking at General Fund operating sources for fiscal year '17/18. As you can see depicted, the vast majority of the revenues that we received to operate the city had a positive variance, and that depiction is better shown here. When you look at the various revenues, the property tax you see a slight negative variance of \$300,000. We base our budgeting of property taxes based on the last three years of collection. It may or may not go exactly as planned. You see, some of the larger variances on fees, fines and forfeitures, one thing we have is a program change. State law changes and allows defendants to go to a driver program every year instead of just every other year, if they receive tickets in order that the points don't go on their record, and they may lose their license. That has increased our revenues in that area.

You see, the interest earnings up \$500,000 or 22% quite substantially, we are seeing, as the fed continues to raise rates we are seeing a better return on our investments even though they are very, very, you know, conservative investments they are allowed by state statute. And also, we are using a larger portion of our corpus with our investment firm who helps us manage those investments, and that's paying dividends. Of course, remember anything above the \$1 million of interest earnings in this area goes over to fund capital improvement projects, which are direly needed within the city especially in this area. A slight modification in the transfers in and, again, driven by some of those transfers that are required, the inn creased interest earnings, some water and sewer fees paid to the General Fund for operating within our rights-of-way, leading to \$9.5 million positive variance on our sources. So good news.

When you look at the General Fund sales tax, again, pictorially, all of the majority of the variances are positive, as a matter of fact, this one better depicts that. And if you look at some of the reasons for this, going down to, let me see construction, single family residential is up in the construction area, leading to increased tax collections. You see food stores, that tax related to, the sale on tax for food for home consumption is up 900,000 or 13%. We had a store that we had to bring into compliance with all the talking that was going on about whether food was taxable or nontaxable. They had stopped taxing it. We did an audit on their, they are starting to pay the tax and as a matter of fact, we had another food store open up which had a positive impact on that.

The major department stores being told that when we look at the cycle, the 12-month cycle that last holiday season was a good holiday season, hoping that the people are out shopping in Scottsdale this time of year, as well. Haven't heard any reports yet but, of course it's early for that reporting cycle. When you look at the rental, again, some areas within, within the city, the, not only the residential property, but the commercial property reno, we see increased activity in that area as well. A \$4.9 million positive variance in the General Fund sales tax. When we look at the uses, again, the two major uses, of course, would you think we provide services and we have a positive variance there and contractual services.

Looking here \$3.9 million in personnel services that includes salaries. That includes fringe benefits and retirement, medical, dental, the things associated with personnel services. And what we're seeing is again we budget people at the beginning of the fiscal year. We budget them for the positions that are filled and the people in those positions. We know what those salaries are. When those people retire and we fill those positions they are normally filled at a level of pay that was lower than budgeted and we receive some savings in those areas throughout the year.

And contracted services, let me see, get to my slide. Contracted services, what we had if you all remember, our contractual services, I'm sorry, we had the APS undergrounding. We had accounted for that in one way and then towards the end of that undergrounding, you remember we worked with a specific bank to finance those improvements for the property owners to get them a much less interest rate. The bank then paid off APS, and now what we are doing, so we had to basically reverse the revenue and the expenses that we had recorded. We are recording the liability and as we collect that from the property owners we will pay that on a biannual basis once interest and principle and we will pay the bank back, versus paying it to APS. Structurally, I believe if I remember the interest rates right, it went from 12% to 5% interest for those improvements, so we saved the people in that area quite a bit of money through this mechanism.

[Time: 00:41:32]

Mayor Lane: Excuse me one second. Just a sort of accolade. I knew there was a major obstacle in putting that together, what was going to be 12%, but it had to go through APS and it had to go through the city to have it participate as it did. It overcame some of the objection of by the residents and the business owners in the area to underground that and I think it's to be applauded. I think what you did, what you were able to manage was very good.

Jeff Nichols: Thank you, Mr. Mayor. I know, again, staff worked very diligently, not only our staff, but staff in Public Works to make that happen. For the most part, it seems to be working. You know, we'll continue to go forward because we are going to be collecting those payments for some time. And paying the bank back. So we continue to do that.

Mayor Lane: And just so it's clear to the public, this is something where there is a public assessment against the property owners in the area. So this savings goes directly to those people, certainly that pay for undergrounding and it's, it makes it a little easier to sell and we are looking to try to underground wherever we can, particularly on new installations as this one was.

[Time: 00:42:54]

Jeff Nichols: Absolutely, Your Honor. The average citizen out there. I'm a property owner within the city, I didn't pay a dime for the underground. Only the people in that district are paying for that. And it, the thought being that it improves their property values by not having those high voltage lines going through their community and so it's a win/win. Transfers out, we had an unfavorable variance due to unforecasted transfer from General Fund undesignated unreserved. Per Council approval from downtown cultural trust for the Public Art contributions associated with the larger development. And, again, we also had -- because of our increased interest earnings, more than forecast and we have to transfer those funds from the General Fund out to the General Fund C.I.P. So that added to that unfavorable variance as far as the transfers out. But the bottom line is on the uses, again, \$4.9 million positive variance.

So when you look overall where we are at, and at the end of the fiscal year, we thought we would finish with a change in fund balance of \$5.9 million negative, in fact, we were \$8.5 million to the good and so we have a favorable variance of \$14.4 million. And we end up there at the bottom line, you will see this later in a presentation, the ending undesignated increased from \$23.6 million to \$38 million. So going forward, as you mentioned, we are talking about the use of those undesignated unreserved fund balances. At this point in time, the City Manager directed us to put those towards a PSPRS pension liabilities. I think when we get to the statement of net assets you see that we have some huge issues there. What I would caution is that that doesn't necessarily mean at this point in time we are going to transfer those monies to the PSPRS pension, what it means, to me, is that going forward through the fiscal year 19/20 budget process, we will have discussions about the best and highest use of those funds at that point in time.

And, of course, the City Manager's budget. He will bring it forward to you all and we expect very robust discussions because while we have a lot of needs within the PSPRS pension liabilities, we are currently making those payments on a biweekly basis every payroll, we submit the funding we withhold from our employees' paychecks. We submit the city's contribution and if the actuarial studies are correct, they tell us we will paid off our unfunded liability over a 20-year time period along with the normal costs. We will see where we go. For now the undesignated fund balance of \$600,000.

I would like to talk a little bit about the transportation fund. Again, we don't go through the sources and the uses of the Transportation Fund but the bottom line is we thought we would have a forecast of total sources, total uses, change in fund balance of \$6 million decrease. We only had a \$4.9 million decrease when we looked at the actual sources over uses. So, again, a favorable change in the fund balance of \$1.1 million. When we look at the Transportation Fund undesignated unreserved fund balance, that's increasing by the, that 1.1 million, to, I'm sorry, undesignated unreserved for 3.7. It will be \$3.6 million in total. So as you know, we have had a couple of projects recently that popped up. Some not popped up, actually sinking, but the Drinkwater Bridge and the 68th Street Bridge. This would be money, \$3.6 million, that is above and beyond from the transportation fund that we could use for future transportation improvements.

[Time: 00:47:15]

So now, I would like to talk about the statement of net position for those people that are unaware. Basically statement of net position tells you if you had, talk all of your assets and paid off all of your liabilities, what would you have left over? And as you can see, our total assets exceed our total liabilities by a fairly substantial amount. I would like to walk down and through some of those. What I'm saying and I don't see it on the slide. I know on my slide, it does show a balance, and it's a positive fund balance to the billions, but some of those assets, of course, we have our capital assets, the governmental activities, these are assets we're never going to sell. I mean, they are our streets, and our parks, they are assets of the city but not easily converted into cash. We have the cash and the cash equivalent.

Want to point out some things. We have a lot of, if you will, funds. The fund is nothing more than a self-balancing set of accounts. So when you look along this chart, you look at solid start to about the 1:00 position, solid waste, C.I.P., fleet C.I.P., water, sewer and you go around the clock. We have quite a few, so special revenue funds, to your about 8:00 position, \$67.7 million in cash and cash equivalents. We have 19 special revenue funds, including transportation sales tax fund, and we'll be having a new transportation sales tax fund for the new tranche of transportation sales tax that was just approved. We also have, as was noted, CFDs, five CFDs. All of these revenues are restricted for a specific purpose and we have to account for them that way. When we go through these audits at the end of the year, the auditors make certain that we have collected those revenues and we have expended them the way we told people we will expend them. That's what the unmodified opinion means. We do exactly what we say we are going to do.

When you look to the right starting at 2:00 and you go down to about the 6:00, you see all the debt service funds. Well, we have to account for all the revenues we received to repay our debt and that's critical to the people who rate our debt for us. And so, when we look at this wheel and we look at the \$629 million, I don't want the public to get lost on that. Really what we have is about, to the, it would be the 9:00 position, you see that General Fund undesignated, unreserved, \$38 million. Out of that \$629 million, that's really the only cash you have to basically, you can make decisions. I would recommend you spend it for something that's one time. It's one-time monies. Most likely for capital improvements, but it might be for things that are needed within the city on the operating side.

We have a lot of needs on both the operating and the capital side. When we looked at our receivables, you looked at those intergovernmental grants, the majority of those intergovernmental grants, bear with me if you will, apply to things like Crossroads East, which is with the state land department at \$13.9 million. The tourism authority, who has told us that they will help pay for our stadium improvements from earlier, we still have about \$10.9 million that they owe us. We have got federal grants of about \$3.9 million. You see the interest, fines and others. We have a lot of the fines about \$11.9 million are from our court system. And by law, we cannot write those receivables off. The likelihood of collection is uncertain, but the bottom line is we can't write them off. The charges for services those receivables have mostly to do with water, the lion's share of water and sewer receivables.

So you look at the other, the pension related, about \$19.8 million of that, related to ASRS, with about \$52 million related to PSPRS. And what that is, is basically, we have paid into those two different funds, but it's a deferred payment. So we're paying for future, future, I'm looking for benefits that people will receive. So we have to account for them as a receivable. The service concession agreement, it's not a receivable, it's another because what it is, it's majority of that is related to the improvement at WestWorld. We built the facility that's on BOR land. So we can't have it as just infrastructure within our asset base. We have to account for it as a concession agreement.

[Time: 00:52:34]

You see the deferred amount on interest rates. Before this started climbing, we had a lot of refunding and we saved the citizens of this city a lot of money on the refundings but we cannot realize all the savings in the year that we do it. We are required to account for that saving over the period of the debt, the time period that we would enjoy those.

Supplies and prepaid items. One of the biggest items here and I'm sure a lot of you will remember it, it's the amortization of the Nordstrom's garage lease. We thought we paid off that debt. We had that argument with the I.R.S., and they said, no, you prepaid a lease. It still resulted in significant savings. Customer deposits mostly relate to our water, our utility accounts in a small, OPEB-related amount there at the bottom. The net capital assets by type, government. I would just like to point out over 73% of our assets are land. They are either the Preserve land, \$960 million, or non-Preserve land, \$2.2 billion. That's all the land that's under our streets and sidewalks that are donated by developers, our parks and things like that. That is not depreciable. We keep that separate.

You see, the largest depreciable asset that we have is streets and storm drains at \$702 million. Buildings and land improvements at 368, and then some smaller ones, machinery and equipment and the motor vehicles maintained by fleet, which we keep. You look at the financial, the net capital assets by type by Enterprise fund. The water system and the sewer system make up the balance or the majority of those at 77% of the total assets within those funds. I would like to point out one thing to about the 10:00 position, the equity and joint venture, the \$90.8 million. That's our agreement with the city of Phoenix in SROG to operate and maintain the 91st annual wastewater treatment plan where we send them our sewage and they take care of it for us.

Some of the lesser ones, again, seem to mirror the governmental-type assets. When you look at the annual depreciation by type in the governmental side, again, the biggest depreciation that you see is streets and storm drains at 50.5 million. We do \$20.1 million in building and improvements. This is assets that we have that are obsolescing over time and we decide what life we will give those assets and we record that depreciation over that amount of time. And so annual depreciation by type within the Enterprise fund, again, no surprise. The vast majority of it are the sewer system and the water system. What I would like to point out, even though these assets are being depreciated, they are still in use. Just like much of our assets that we have. And so when I look at accumulated by type for the government funds, we still are using assets that total \$1.5 billion, and they are still in use. We haven't retired these assets. We haven't taken the asset nor accumulated depreciation off the books. So we are maintaining them to the best of our ability, as we go along.

[Time: 00:56:17]

If you look at the accumulated depreciation by type for the Enterprise funds, again, no surprise water system, sewer system, but these are systems that are still currently being used by the water department. They are still conveying water to people's homes and businesses. They are still accepting the return from that water back into the system and we are reusing that. So the acquisitions by type for the governmental fund, non-Preserve land, I would like to point out that \$34.2 million, that isn't something that we bought. It's from a developer that donated streets to the city. And the land that those streets are under are valued at \$34.2 million. So we booked that separately as land. The streets and the storm drains themselves, the improvements would go into that category.

You see, we have construction in progress, the continuation of our C.I.P. program, and it's an ongoing, it doesn't stop with fiscal years like our operating budget does. The acquisitions by type for the Enterprise, the water system, sewer system, again, a lot of these assets are funded by rates and fees. A lot are funded through development fees. But they are an Enterprise, they are self-contained and so they pay for all of those improvements. Look at some of our accruals and payables that we have at year end. The accounts payable and payrolls, \$145 million. Accrued compensated absences. Absences that our employees have earned and they just haven't taken advantage of them yet. You look at the other liabilities, \$92.4 million. Some of that was due to other governments. We have the largest portion of that other liability. Many of you recall lived in Scottsdale for a while, we have a pollution remediation obligation, that we are taking care of to keep a plume of very bad stuff out of our water supply. And so this is how we account for that. That's a liable and then the net pension liability, \$34.26 million.

There's one thing I did want to mention here regarding the net pension liability, and that's this. Let me find my paper. I might not have it with me. The bottom line is our net pension liability continues to grow, our pension liability within PSPRS continues to grow. The vast majority of that, \$245 million is related to Police. Our net pension liability related to Fire is only approximately \$12 million. We have a young Fire department, started in 2005 and not many people have retired yet but we know that's coming in 2025 and I believe that's reason the City Manager wants to start looking at that issue now and to find out what we can do about that if anything.

Bonds, loans and other payables. One thing I wanted to point out, water, sewer, airport, the \$357 million of the \$1.2 billion, you hear that a lot in the paper. That's all supported by rates and fees. It's not supported by property taxes.

The Preserve, the \$337 million, supported by the two tranches of the Preserve, sales tax that voters approved, community facilities district, again, Mr. Mayor, just like the underground district, these are people that vote to put in these improvements, the CFDs and then the land owners within the districts pay for them. The only portion of our loans, our bonds outstanding the General Obligation, \$243 million, about 20%, that's paid for by the property owners through their secondary property tax. It's a very small portion of our total debt.

And one thing I would like to point out when we look at these, because, again, how do the rating agencies view our debt? There's only 30 cities in the United States that have AAA bond ratings for their General Obligation debt from Standard & Poor's, Moody's and Fitch. There's only one other city that has that rating, and that's the city of Chandler. The one big difference between us and the city of Chandler, we don't have an Intel plant within the city of Scottsdale that provides a whole lot of property tax to that city. And so I wish we did, but we don't.

[Time: 01:01:13]

Mayor Lane: Mr. Nichols, if I might add to that level of enthusiasm about the bond rating, is the fact that it saves the citizens of Scottsdale millions of dollars in our borrowing capacity and our borrowing rates. It translates into a lot of money saved. So maintaining it has saved us literally millions of dollars even through the downturn and I think it's an important thing for us to emphasize.

Jeff Nichols: You are absolutely correct. And I want to give, pay respects to the people who were in my position long before I even began working for the city. Well, actually, I started in 2001, my first time around but the likes of Craig Clifford, Jim Jenkins, Scott McCarty, all of these people were very good at what they did. And they worked for that and so we have the AAA bond ratings since I believe 2001 for our G.O. debt. They worked hard through the '90s to get there and they finally got there and we maintained it. I don't want to be sitting in the chair when it.....

Mayor Lane: It's not that it all rests with you and obviously policies that are presented by city, the City Council and the community as well. It's definitely a community effort and one that has been sustained as you have represented.

Jeff Nichols: Not only this Council but other Councils that have come before you, you know, obviously, adopting those financial policies every year. Every time we go to rate our debt, that's one of the things I hear from the bond rating agency, the way we manage that through those policies. So absolutely. We have got some off-balance sheet liabilities. We have some public safety, that are medically retired employees. Council has said that those employees could go ahead and receive their medical insurance at the employee rate. So it an implicit subsidy they receive. We are not paying for them, it's just a lower rate and we have compensated absences. A liability to be earned for

employees with future service. That's the end of that presentation and I will take any questions that you all may have.

Mayor Lane: Thank you, Mr. Nichols. We do, starting with, at least indicated right now Councilman Smith.

[Time: 01:03:34]

Councilman Smith: Thank you, Mayor and thank you, Mr. Nichols. First of all, I would echo your congratulations to the finance staff. Many of them worked for me when I was there and I know how hard they worked to achieve the clean bill of health that they get from audit. So congratulations to them but also congratulations in a broad sense to all the staff, because the numbers are showing up there for the fiscal year, obviously, the revenues were up and I'm not sure we could personally take it for that. That's the economy working in our favor.

But what the, what the city did to hold the costs to the line and even bring them in under budget, is, I think an accolade or an accolade could be given to all the employees for a job well done. The, one of your slides showed the depreciation of government assets that I think \$83 or \$84 million, and I usually ask the request, did we re-invest at least as much as the assets wore out or depreciated? I couldn't necessarily find the answer to that.

Jeff Nichols: If you look, Mr. Mayor, Councilman Smith, if you look at the net depreciation, about the middle of the page, increase from \$4.35 billion, to \$4.37 billion an increase of \$27.4 million, so the answer is, yes, we did, however, when you take out the \$35 million that were actually developer contributions then we fell a little bit short of that, but, and a lot of areas, especially streets, and I said that was the largest category, remember, in 2015, our voters approved \$12.5 million of street overlay projects and public works has been working diligently to deliver that over a three-year period, it may go into four but they are really working hard.

We also take about \$6.5 million a year from the current transportation sales tax and put that towards street overlays. And I believe they are spending at that level on an annual basis now. Some other things that may have skewed that, when I look at our current assets, so I'm not sure. I would probably have to defer to Ms. Gilbride or Ms. Henthorn. We completed some of the Fire stations that voters also approved. I don't know if they were completed in a timely fashion to be in the '17/18 year-end financial report or not. But the answer is when you just look at the numbers, we're investing at least that much, however, when you take out the developer contributions, we are falling somewhat short from the \$80 million that you mentioned.

Councilman Smith: But I think you would also, you would also have to take out not only the developer contributions, but anything that we spent on land, since land is not a depreciable asset. I was really just looking for what happened to the depreciable assets.

Jeff Nichols: Right, but that, in that.....

Councilman Smith: The balance sheet number you showed.....

Jeff Nichols: And, again, Ms. Gilbride or Ms. Henthorn can correct me if I'm wrong, land is included in the \$4.3 billion number.

Councilman Smith: I'm sure it is.

Jeff Nichols: It's just not depreciable. So when I.....

Councilman Smith: Let me restate my question. The \$4.3 billion and it's pretty much \$4.3 billion in both of the years, land is in both of those numbers.

Jeff Nichols: That's correct.

Councilman Smith: If you spent money on land, it wouldn't address my question on what have you spent on depreciable assets.

Jeff Nichols: Correct. And my understanding, if we go to acquisitions by type, non-Preserve land, the \$34.2 million, that was a donation from a developer.

Councilman Smith: Right.

Jeff Nichols: So you take that out and we are down to 112.

Councilman Smith: So that's the only non-depreciable asset?

Jeff Nichols: That's correct. The city did not purchase any land. That land was all donated.

Councilman Smith: I didn't know the land improvements, how that was dealt with, at the 11:00 position.

Jeff Nichols: Oh, got it.

[Time: 01:08:15]

Councilman Smith: Well, at any rate, absent the contributions, the net depreciable assets of the city, declined and I, and I would just like to emphasize for people one more time, one last time, if you will, that we have a need to reinvest in the city, and we have not yet met that need. In fact, you all remember we identified \$650 million worth of critical investment needs and the voters generously passed a small sales tax increase that will provide \$10 million down payment on that for the next ten years. But taking the ten off the 650, we still need 640. We have a huge need.

And that brings me to my next question. When you talked about the \$38 million of unreserved fund balance, and I saw it a couple of places, it's what the balance has grown to over time. It is also

identified as cash on your cash chart. It's cash sitting in the bank. And I see an earmark there and I have to assume that that's just a proposed earmark of taking 36.3 of that total and I guess keeping it in a saving account in the bank in cash for potential PSPRS pension liabilities. And I know that this is a policy question. It's not an administrative question. It's one that the Council weighs in. We have a financial policy that talks about what we do with unreserved fund balances. I forget the number of the policies, 19 or.....

Jeff Nichols: Mr. Mayor, Councilman Smith, close. 17. I would read that. Any year-end General Fund operating surplus is not needed to restore contingency reserves or cover unforeseen shortfalls in the budget and then it goes on, you know, but not less than, you know, 25% construction blah, blah, blah, blah, will be transferred to the General Fund capital improvement program in the following fiscal year unless otherwise directed by Council. And that's why I said, when we start the fiscal year '19/20 budget process that that's probably the time that that balance will be looked at. The City Manager is saying at this point in time, he knows he has a problem with PSPRS pension liabilities. There may be other issues that are bigger than that when he brings forward his budget that Council wants to opine on in a policy direction.

[Time: -1:11:05]

Councilman Smith: Well, the agenda says we are supposed to provide possible direction. Since I won't be around at the budget. I will provide my direction and my direction is that we not have any earmark here for this PSPRS liability, but that we move the majority, I will say all but \$10 million, move \$26 million of this money into the capital investment program. And the reason should be obvious, we have said repeatedly we have a huge need for capital re-investment in the city, and to keep \$38 million in a savings account for a future liability, which by the way is already recognized. I mean, everybody keeps talking about how we will have firemen retire in 2025.

Sure they will retire and they will be the oldest retiring firemen in the known history of the state. So the pension obligation for them is admittedly going to be smaller because of their age. And PSPRS is already recognizing this liability. They know the age of our workforce. They know their earnings. They know their tenure. So if we have a small liability for Fire, there's a reason why we have a small liability. And it doesn't just suddenly jump in 2025. So I'm not really sure what we're saving the money for here. We are meeting our obligations to the pension plan. We are paying the bill every year, as you said, we are sending them checks every two weeks.

But to keep this money in a savings account and then go through the painful deliberation that we did two or three weeks ago, when we said we have bridges falling down and the only way we can repair the bridges is we have got to cancel a lot of future projects, I don't understand this. It doesn't make sense to me. So for my two cents, I am providing direction. My direction would be to follow the financial policy and I can't think of anything I'm even holding back \$10 million for, but fine, hold back \$10 million but at least put \$25 million into re-establishing the.... or fixing the infrastructure needs that have been identified by staff, by the committee of this Council and by the entire Council. And that's my comment. Thank you.

[Time: 01:13:52]

Mayor Lane: Thank you, Councilman. Do we not have a requirement on the pay down? Has the state indicated some schedule for a pay down on our obligation on the unfunded liability in the pension plans.

Jeff Nichols: Mr. Mayor, this year, this past fiscal year, we were given, I don't know if you recall, there's hundreds of PSPRS pension funds. Every Police and Fire department has one. So we have two. We have one for Police and Fire. They came to us and they said you have a one-time choice. Amortize that unfunded liability over 20 years. I said I don't want to kick the can down the road. I would rather amortize it over the 20-year period. Assuming all the actuarial assumptions are correct.....

Mayor Lane: Mm-hmm.

Jeff Nichols: It would be paid for over a 20-year period. The city of Phoenix, just to our west, they chose to go from 20 years to, to go from 20 years to 30 years and if I recall, the increase to the unfunded liability, that they subjected their citizens to was in the hundreds of millions of dollars more that they would pay over the 30-year period than if they kept it at 20. We made that choice. The short answer is over 20-year period, everything being equal and the assumptions being correct, we will pay down that unfunded liability over a period of 20 years.

[Time: 01:15:24]

Mayor Lane: So we have to manage the number throughout the process but it's a 20-year cycle that we are looking at. That is the earnings off the portfolio and all manner of things that are not necessarily in our control?

Jeff Nichols: You are correct. It's controlled by the legislature right now the biggest, to me, the biggest known in this is the discount rate of 7.5%.

Mayor Lane: Yeah.

Jeff Nichols: You decrease that discount rate, and you increase the liability significantly. You increase it and it's decreased.

Mayor Lane: And that's over many, many years. And that was in error. But nevertheless, it does put us in line for an obligation to pay some amount to pay down that obligation. That was a choice that we took of 20 years and we will have to calculate that and manage it however we need to, as far as the funding of that and this may be part of it, but I will leave that to the City Manager and yourself, as far as how that happens.

The other is that something that I think is important for the public to know, is that one of the things that we did with the sales tax, the transportation sales tax, is not just \$10 million a year over 10 years,

it's \$100 million but nevertheless, it provides those funds to safeguard \$170 million with without that funding we would have to come up with \$240 million. So those are things that would either have to be added on if we missed those funds and frankly can be taken off, to the extent that we had on the bonding arrangement as it was, very, very important component. It doesn't take anything away from the fact that, you know, we do have a need for infrastructure and maintaining it.

But each and every year, we maintain and oftentimes add life to our fixed capital assets by virtue of the way we maintain them, whether it's an overlay or whether it's a redo on a roadway or anything else. So it's, we are always adding some time for it. Now on the tax basis, the depreciation rates may carry through for 27.5 years or whatever the schedule is for ourselves. But we do add time by virtue of how much we invest in our buildings and our streets and our roads throughout the course of every year in our operation cycle. So I just don't want to draw such a bleak picture that somehow or other, absent as we have in the past, depreciated land but nevertheless, the net asset value is still something we want to monitor, but it doesn't necessarily play directly to what we need to refinance every year. So just a point that I have made several different times and I think it's accurate in its portrayal and I think we have a good system that does not mean we do not need to continue to be vigilant and set to do going forward.

I thank you for the presentation and I thank the City Manager for the contribution for some of the things that we need to keep on the horizon, as far as what we need to do and the funding to comply with now as we have a 20-year cycle. And I know that there's movements afoot as to how we will manage that through the process, through a period of time of 20 years.

[Time: 01:19:02]

Jeff Nichols: Well, and Mr. Mayor, you are correct in all of your statements that you made. And I want to add a new tier was added to the public safety personnel requirement plan which, has some significant differences from the Tier 1, I.E., there will be a 50/50 split between employee and employer. That will have a significant impact. With we touched on this before, it's unfortunate. We won't feel that significant impact probably for, 18 or 19 years down the road, but we will feel it eventually.

Mayor Lane: Yeah, and I think those are the factors that maybe not necessarily in our control at this point, they are legislatively put into place. But nevertheless, they will have some impact on whatever our outstanding unfunded liability is. And I think as you pointed out and you can see by your bar graph there, PSPRS is for a smaller population of folks is a very significant increase in the carrying costs of that unfunded liability. More so than anything else that we have to deal with, even with the much larger population of employees.

Jeff Nichols: Absolutely, Mr. Mayor. To that point when I looked at the unfunded pension liabilities PSPRS per employee, I calculated it to be \$488,000 per employee and ASRS, it's \$98,000 per employee it's significant.

Mayor Lane: Thank you for the presentation. We have Councilwoman Korte who would like to

speak.

[Time: 01:20:39]

Councilmember Korte: Thank you, Mayor. I think all of our capital improvement projects and the lack of funding, whether you call it 650 or call it 550, given the transportation projects being covered by our sales tax increase, whatever that number is, is critical. And so in, and I believe that it's a priority. Everyone speaks that that's a priority of our community to re-invest in our capital infrastructure. So help me understand why we're putting so much money into a savings account for, if you can go back to that slide that you had up there, Jeff. There it is. For the pension liabilities, when you tell us that we are meeting the needs of that amortization schedule. We are two years into it and we have 18 more years probably. We are making the payments. It's within our budget. So why are we putting 30, I can't remember, 36 or 38.

Jeff Nichols: 36.

Councilmember Korte: \$36 million into a savings account for that liability when we are meeting the need?

Jeff Nichols: Mr. Mayor, Councilmember Korte, I find sometimes that I tend to explain things the same way when I'm asked the question in a different way. So this time, I will defer to the City Manager and see if he can explain it a little bit differently than I can.

[Time: 01:22:28]

City Manager Jim Thompson: Mayor, Councilmember Korte, members of Council, a couple of things. We're truly, we have \$342.6 million in liability, \$245 million is Police, and \$12 million is Fire, and 20 that, when two-thirds of the department can retire, which is after 20 years, keep in mind when we took over the Fire department in 2005, many already had many years of service. And so we will most likely have two-thirds of that. That liability jumps by millions on the Fire side, which we have not accounted for. This is a place holder, as we talked in the budget process, the PSPRS, it is not so designated. It's not what we are paying the state. We are not prepaying any of the pension liability. We just held it there as a designation.

When you walk into the budget process next year, as City Treasurer has explained, we will discuss whether or not it stays in this designation, and whether or not you remove, you move it over to capital or whatever you so desire to do with it. But for now, we set it in a place holder. It's midyear. It's not budget time. In the budget process we designated the unreserved, the undesignated fund portion to this portion, however, we didn't know it would grow by the number until the audit was complete, which was just completed and now we know the number grew. The number could have shrank.

If we spent 100%, if we had not received the additional revenues or if we were short in some revenues but fortunately, we are over in many others that made up that difference. Traditionally, we budget

very conservatively. So we tend to have extra money at the end of the year. And we tend to personnel cost, because when someone leaves we don't immediately fill it. We have salary savings that contribute back to fund savings. We have not moved that over because we don't have projects for which we have designated. We have the \$3 million plus or minus that we transfer over for the bridges, the undesignated unreserved fund balance, that the city will be replenished to what we considered our emergency fund or our contingency fund for which we had associated. We spent that down for that project to move that over. So we'll take some of that extra money that we have right now and we'll move that into that.

[Time: 01:25:01]

So, again, during the budget process, we will decide what we want to do with that inherent growth and savings. We strongly urge that it be used for one-time money and we recently had a study done on the Fire pension. We'll be looking at increases in those. We will also see increases in the Police department side. Keep in mind, we are paying the liability. When you pay the liability over 20 years, so today, I don't know what our percentages are in Police and Fire, but if it's 35% of their salaries being contributed, it will go to 36, 37, 38, which when you start to add that, of how much we are paying into the pension, it's the city's portion because the employees' portion and public safety, Police and Fire, is capped. The city's portion is not. We make up that difference.

And so whenever there's a, in this case, unfunded liability, that's burdened by the city. So even though we are contributing, I don't know the exact percentages offhand but I would say it's 35%, it will go to 36, 37, we have seen that in Fire in the 20-year analysis we did. Actuarial studies are based on a snapshot in time. That snapshot in time in 2025, will overlook significantly different than this snapshot in time. The snapshot for the 20-year period of time will substantially grow from 2025, to 2045, for which we will have inadequate funding in place, both operationally, as well as one time.

So again, we will get into the great depths of this discussion in the budget process because I think it's very important that we start to talk about what, what will transfer particularly in Fire, but we know we have a \$245 million shortfall but we will account for that in the budget it means \$1 million, to \$1.5 million extra for Police and Fire that we'll have to pay each year. So each year, our availability for operating will go down to be able to pay that unfunded liability over that 20-year period of time. Or you potentially, which is what we are discussing now, you can make a one-time payment to that, and buy down that liability.

We have chosen not to do that at this point in time, but by setting the funds aside, at least until we have time at the budget process to think about it, it will give us that opportunity or option to do so. If they are running at 6 or 7 or 8% rate of return and we are earning at .5% or 1%, it may be a better option to invest in the better rate of return because their options of investment exceed what ours are on a conservative basis. We will get into the depth of those discussions at the budget times as we decide what to do with the designated and/or undesignated fund balance. This evening and in the budget process, the amount that we anticipated, which ended up being more, we set aside for this purpose.

Councilmember Korte: Thank you, Mr. Thompson. I kind of go back to the expected or the calculated pension liabilities that those liabilities you just mentioned are already calculated into that by the actuarial system, correct?

Jim Thompson: That's correct.

Councilmember Korte: So why are we putting additional monies to it.

Jim Thompson: We are not.

Councilmember Korte: We are setting aside. My concern is that somehow, you know, we might lose track of that as we go through the budget process. That's my concern. And having served on the C.I.P. subcommittee for a year, and understanding along with two of my colleagues the critical nature of our infrastructure needs, I just don't want to lose track of that.

[Time: 01:29:01]

Jeff Nichols: Mr. Mayor, I'm sorry, City Manager, I can guarantee you, you have seen how we account for funds. We are not going to lose track of that undesignated, unreserved fund balance. One thing I want to make sure, especially if we have any public safety employees and we have some listening to this conversation right up here and we may have some out in the audience or in TV. This is through no fault of their own as the City Manager mentioned. I believe on the Tier 1 public safety employees whose contributions are limited by the Hall Harker ruling to 7.65% for that actuarial cost and we pick up the balance, I believe we are northwards of 50%. So for every dollar we pay a Tier 1 employee, we pay over 50 cents in the retirement system and that's an ongoing operating impact. So.....

Councilmember Korte: Thank you.

Jeff Nichols: You're welcome.

Mayor Lane: Thank you, Councilwoman. Councilwoman Littlefield.

[Time: 01:30:03]

Councilwoman Littlefield: Thank you, Mayor. I would like to request of you, Mr. Nichols and also you, Mr. Thompson, that when we do come back and actually start working on the budget and what we want to do, that we are given a scenario of various options and what the financial ramifications of those options would be over the course of these 20 years. So we can kind of see how does this grow? How can we slow it down? How do we stop it? Do we want it, you know? Is this the best use?

Also, I would like to bring it out, it's not an all or nothing scenario with this \$38 million. We could put some in C.I.P. and we could put some in this funding, and obviously keep some for a rainy day because

of the unknown economic occurrences going on over the next year or year and a half. So we have to have some sort of a cushion or a pad for protection, for unforeseen economic situations. But also, I think that we would need a little bit more solid information if we do this, how does this affect the future liabilities going forward over the next 25 years. So we can get some, we can get some harder facts as to what the results would be and what the ramifications would be if we did not do it. Thank you.

Jeff Nichols: You're welcome.

Mayor Lane: Thank you, Councilwoman. Councilwoman Milhaven.

[Time: 01:31:27]

Councilwoman Milhaven: I want to see if I'm following this correctly. So the state requirement system is a defined benefit plan, which means that retirees are guaranteed a specific payment; is that right?

Jeff Nichols: That's correct.

Councilwoman Milhaven: And then we estimate if the city puts in its share, that we trust that that balance is going to grow to be adequate to meet that commitment for those very specific pension payments?

Jeff Nichols: Again, that is correct, Councilwoman.

Councilwoman Milhaven: And so when the interest rate environment is different from what was predicted, as has been the case in the last ten years. If you are saying that the present value of that at 7%. We haven't seen 7% rates in.....

Jeff Nichols: 7.5%.

Councilwoman Milhaven: 7.5% rates in a very, very long time, I want to say ten years more, maybe closer to 20. So what that means is that we have a commitment, we have a contractual obligation to pay the retirees a specific pension amount and yet our investment in that system has not grown at the pace we expected because it was lower than expected interest rates?

Jeff Nichols: Correct. Lower, lower than expected returns on their investments because it's not all just interest.

Councilwoman Milhaven: Yes.

Jeff Nichols: We have growth in investments as well.

Councilwoman Milhaven: Thank you, yes. So what that means because of the growth of

investments and the enter rates it means we have to come up with \$342 million to make up for the lost investment income in order to meet our contractual obligations?

Jeff Nichols: Over a 20-year period, that's correct.

Councilwoman Milhaven: Over what we continue to contribute but we are under funded by, so we have to come up with \$342 million, period?

Jeff Nichols: Correct. That's true.

Councilwoman Milhaven: So it's not discretionary. Because it's part of the pension plan, we owe it to the employees and we have no choice but to come up with \$342 million and what you are saying is because Fire is not included in that, the number ultimately by 2025 will be significantly greater than that?

Jeff Nichols: Fire is included in that \$342 million figure. It's only about \$12 million of it. At this point in time.

Councilwoman Milhaven: But I thought the City Manager said when the folks retire at 2025, there will be a significant increase. Did I hear that correctly?

Jim Thompson: That is correct. It's \$12 million today, but in 2025, when two-thirds or better of the department is retired, if, in fact, they retire, some of the conditions so noted in the actuarial study will change dramatically. Obviously between now and then with the assumption of 7.5%, the state has tied to the actuarial study, we will not achieve that and we will have a greater shortfall just because of that.

None of this is done by city staff. This is done at the state. The state retirement system, which we are obligated to participate in under state law. It's not the fault of our employees. It's not the fault of anyone in our organization. It's just what they put into the actuarial that at the defined as their parameters and, yes, it is correct, that that number will grow substantially, potentially, in 2025, unless conditions are different, that we achieve 9% rate of return and on and on. But all things considered in the snapshot of time taking in the actuarial which is done by the state and managed by the state, that's correct.

[Time: 01:35:03]

Councilwoman Milhaven: So the best-case scenario we have to come up with \$342 million, and the worst case, it's bigger than that. This is not discretionary, and it's a big pot of money we have to come up with over time, I think we have every responsible to put this unreserved fund balance into those pensions to assure not just that we meet our pension liabilities but we keep the city on a strong financial footing going forward. I wish we could put it toward capital, but I think we can continue to defer capital because that's more discretionary than our pension obligation and let's hope that we can cop up with a solution to meet our capital needs. I wish we could but I think we have to meet this

contractual obligation. Thank you.

Mayor Lane: Thank you, Councilwoman Milhaven. Council woman Klapp.

[Time: 01:35:54]

Councilwoman Klapp: I would initially agree with what Councilwoman Milhaven just said but I do understand that the monies that are being set aside are not actually being earmarked for the pensions. It's being set aside so we can discuss it again when we go through the budget and I think that's the best process we should follow. You can see from all the discussion we have here, that we have much to talk about when the budget process comes back to us. And the money is being set aside for us to understand that we have this pension liability. It does not mean that we are making a decision today that is going to go into the pension funds, but that money is there for that as part of the larger budget discussion. I don't, I don't plan to forget this because I think it's a pretty significant amount of money, when the budget comes back to us.

And I believe that the, my direction would be that the recommendation from the City Manager is exactly the way I would want to proceed. Set aside the money somewhere, to show that it could be used for the pension funds but make the decision when we go through the budget process as to how we are going to spend that money and we may decide it will all go there or we may do some of what Councilwoman Littlefield said and look at various scenarios of how we might put some of it into pension and some of it other places and we will not be able to decide all of that tonight. So moving it to the budget process in the spring is, in my opinion, the best solution. Thank you.

Mayor Lane: Thank you, Councilwoman Klapp. Councilman Smith.

[Time: 01:37:34]

Councilman Smith: Thank you, Mayor. One question. Jeff, do you know how much we are now paying per year for pensions? We are making a contribution in the budget for ASRS, and PSPRS, and whatever. What is the annual pension payment that we are making? You referred to every two weeks for sending some money and I will keep talking until Ms. Doyle comes up with a number back there but I'm not sure I can talk that long. The answer is.....

Budget Director Judy Doyle: Mayor and members of Council, just looking at the General Fund, I have actuals for fiscal year '17/18, but I have it broken down by the different tiers by Police, et cetera. So bear with me here. Police, Tier 1 was \$12.2 million. Tier 2, 3.1. Police Tier 3, 1.18 million, Fire, Tier 1, 1.8, Tier 2, \$300,000. So you get the gist. It's significant. ASRS, we had been talking about public safety.

Councilman Smith: But the \$342 million liability is for everybody all together.

Judy Doyle: That is correct. \$166 million, I believe, was Police. \$12 million was.....

Councilman Smith: Now you are talking about liability.

Judy Doyle: ASRS, \$8.2 million.

Councilman Smith: So is that all the payments from all the groups that all go to the state pension plan as one kind or another?

Judy Doyle: The General Fund, employees paid out of the General Fund, yes.

Councilman Smith: So that's \$28 million or some such number?

Jeff Nichols: \$27.9 million is what I got.

[Time: 01:39:55]

Councilman Smith: Okay. And I don't know how much is non-General Fund. My only point in bringing this up is to reassure the public if anybody is still listening to this debate that we are making payments towards the \$342 million liability. The question is only whether we want to make additional payments but within the budget process, we every year allocate payments to ASRS, and public safety and whatever.

And so it is those payments which if continued on the actuarial basis, would pay off the \$342 million, as everyone says, if all the assumptions work out the ways they are intended. That's what actuaries are hired for and that's why we are not too good at estimating this. The question, the comment I would make and I certainly agree with everyone else that this is something that the Council should be looking at as part of the budget process. I would love to see some of this money go to the capital program as quickly as it can. I don't think there's a need to have this extra money for the pension liabilities but Council will determine that when they do budget next year. I would recommend that rather than just making a statement that the liability jumps by millions, I don't personally think that's true.

But what this Council will need is an actuarial study that I think somebody suggested we have that takes us out over the \$20 million, or over the 20 years because in my judgment, many my experience, in the actuarial sciences which is pretty substantial is that you, it is a snapshot in time, but it's a snapshot that considers age, tenure, age at retirement, retirement benefits, death, mortality, all kinds of factors and you don't have a jump when people will retire and everyone knows they will be the oldest firemen in the state to retire. So enough said on it, I think, except that it would behoove the Council in the budget process to look at a statement from an actuary of what the liability is going to be. And hopefully free up some of this money.

One other point I will make, it's not like the \$650 million capital need remains constant and that we can just wait a few years to deal with that. If you read in the newspaper, cities all over the country are experiencing rapid increase in their capital infrastructure cost programs, steel prices are increasing dramatically, asphalt prices are increasing dramatically. So this number. this urgent need for capital

is only going to grow over time. And is it smarter to pay down some of the capital investment obligations it may well be, even if we don't accelerate the pensions. Thank you.

Mayor Lane: Thank you, Vice Mayor Phillips.

Vice Mayor Phillips: Thank you, Mayor. I just wanted to see if my microphone works. It does.

Mayor Lane: I understand.

Vice Mayor Phillips: I agree with Councilwoman Klapp that this is basically a place holder and we will discuss it later. And you can tell that there's a lot to discuss. Thank you.

Mayor Lane: Thank you, Councilman. I think that at least from the standpoint of the Council at this moment in time, I think we have got our questions answered and given some specific direction in the sense that I think we are of a mind to move these numbers forward. These are the kinds of things that we will have to look for in the budget process. I think that's where we are at.

Jeff Nichols: Understood, Mr. Mayor. Thank you.

Mayor Lane: And thank you.

ITEM 28 – MONTHLY FINANCIAL UPDATE

[Time: 01:44:14]

Mayor Lane: You might as well stay at the podium or you need to pick up a different piece of paper and you have the monthly financial update.

City Treasurer Jeff Nichols: I will do my best to make this short and sweet. We are not that far into the fiscal year. So, again, the one thing I like about the end of the fiscal year report, that's not timing differences. That's not all the things we talk about. One thing we didn't discuss is ADOR, we are still trying to get a track on how we are going to receive our revenues when they are remitting them to the city. There's a lot of moving factors but that's known, the \$14.4 million increase is a known.

I will go straight to the numbers here. You look at our General Fund operating sources. We have several positive revenues that the largest, the \$900,000 in local taxes, I will discuss in a minute, the charges for services. These were related to quarterly payments from the Scottsdale Unified School District for the school Resource Officer Program. Most of these are timing. We just received the payment earlier than we had budgeted for. So right now, we enjoy a positive variance that is probably not going to hold out.

We also had reimbursement of some previous cost for the HVAC done at the El Dorado Center. We are starting to receive payment from the Boys and Girls Club related to that. Unbudgeted, didn't know about them but now we will receive them. The license and fees relate to the public safety, Fire

ambulance contract and we are receiving 100% reimbursement for the ALS Advanced Life Support on those. You see the demand for residential housing and the permits. You look at the sales tax, we have positive variances across the board. Again, the biggest reason for this, we have to budget on a monthly basis.

We are still working to try and understand ADOR decides when they will have the cutoff date for the month and they will decide when they take the monthly tax returns and they call that date, not us. Sometimes they hold it later. Sometimes they go earlier. It can create variances. So, again, while these variances stand up over time? We just don't know. Again, I would urge people that live in Scottsdale, support your brick and mortar and go out and support the city, especially small businesses here Scottsdale. They are the backbone of the city. So I wish people would do that.

When I look at operating uses, fiscal year-to-date, again the largest operating categories personnel services, a small variance, the same thing we have explained again and again, we have people leave. They are at a certain salary that we budgeted for. We fill those positions. Number one, it takes a little while. Some of those budgets aren't swept and some are. You will have savings related to the retirement cost. They will be less because you are paying someone less.

The contractual services. Let me see. We have, everyone I have is timing. We have got timing related to invoices for election costs. We have timing related to our implementation of a new personnel system Eunice that we just haven't paid the invoices yet. We have timing related to our dispatch contract with the city of Phoenix paid out of the Fire. We just haven't received the invoices for that. So the majority of these positive variances may not materialize when I give my year-end report next November. Uses for personnel services, again, you see the salaries as largest component, \$600,000. Again, the retirement, I subset of that, but some of the other overtime Police departments showing less than their overtime cost related to special events. They are just enjoying a little bit of a decrease, same with contract workers, \$100,000, it's a large percent.

But what it is, if you recall, we had a customized expedited program in the Planning Department where people could pay a little bit more to have their plans expedited and we would hire contracted people versus bringing full-time employees on. We are not spending that money for the contracted services. You look at the divisions across the city, every division is enjoying a positive variance to include the Mayor and the Council charter officers, the largest one. And then when you look at where we thought we would be, at this point in time, and where we are at, we have a small favorable variance so far this fiscal year, which we are enjoying, whether it lasts to the end of the fiscal year, we'll see. I would prefer that it grow. And I would enjoy the conversation next year around this time if it does and we will see how that goes. So with that, I would take any questions you all may have.

[Time: 01:49:33]

Mayor Lane: Thank you, Mr. Nichols. Just a real quick question back on commodities and the savings in the commodities area, of 17%. Is that, and if you mentioned it, I may have missed it. Is that fuel, electricity, what, what may be included in that of significance that contributed to that? I mean, I realize it's \$400,000, but \$400,000 is.....

Jeff Nichols: \$400,000 is a lot of money, Mr. Mayor, at least to me it is. We have delays in timing and public safety, Police due to invoices. We have favorable variance in Public Works due to maintenance budget related to City Hall and Civic Center. But we also had a slow start to our roofing program. So they buy commodities for the roofing program. We also have some expenses out of capital, our contractual services that were budgeted in commodities, but are being spent out of contractual services. So I'm trying to see favorable variance of \$100,000 due to lower than anticipated furniture, minor equipment and library, and building and community services. So it's kind of across the board. Whether that positive variance is here at the end of the fiscal year as of yet, we will find out.

[Time: 01:50:56]

Mayor Lane: I don't know whether we will get to it. I realize we are talking about the General Fund operating costs but have we seen anything in the reduction of fuel costs over at least the beginning of this fiscal year?

Jeff Nichols: Mr. Mayor, I would have to defer to, you recall last year, we were reporting significant savings within the fuel related to Police, related to our departments that have a lot of vehicles and have those costs associated with them. I'm not sure if we budgeted at a lower amount so we wouldn't have that variance this fiscal year. If anything, we'll see again fuel prices at least the crude oil I see out in the market, it's coming down. But as noted, I mean, that could change overnight. You know, if that goes up, we have to be ready for that as well.

Mayor Lane: And on an area, and pardon me for interjecting this. It's the General Funds operating cost and the revenue sources. But the installation of the solar collection, or the solar electric power collection at the water campus, have we seen a mitigation of our costs this or is that something that's just not on the screen right now and I understand that?

Jeff Nichols: Mr. Mayor, it isn't on the screen right now. I can look into that, and I would hope that with those new solar array panels. It's in an Enterprise fund but it's not something we report on, on a monthly basis.

Mayor Lane: It would be entering to know that they are keeping track of that.

Jeff Nichols: I can assure that Mr. Biesemeyer is keeping track of that.

Mayor Lane: I'm sure that he is. Well, it looks like that completes the monthly update and I want to thank you very much. I see no questions on that. Thank you.

Jeff Nichols: Thank you.

ITEM 29 – 2019 STATE LEGISLATIVE AGENDA

Mayor Lane: Next is our Item 29, which is a 2019 State Legislative Agenda. And we have Mr. Brad Lundahl, our Government Relations Director here to present. Brad, welcome.

[Time: 01:43:05]

Government Relations Director Brad Lundahl: Thank you, Mayor. Good evening, Mayor, members the Council. I'm here once again to go through our legislative agenda for the upcoming year. The legislative agenda is essentially the crystal ball of issues we think are going to be coming up in the next year so I can get a Council position, so when the legislature goes into session, we kind of have a game plan. Things can change, as you well know but this is, again, kind of our best guess scenario of some of the issues we see coming up. Just briefly because I know the hour is late.

I just want to point out because we did have an election, we do now have a new Senate president, that's Karen Fann of Prescott. She's a former Councilmember and Mayor from that area and it's good to see her from that position. For the House, it's Rusty Bowers who is from Mesa. In District 23, we kept all the same people. Although their seats moved around a little bit. Michelle Ugenti-Rita are over in the Senate and Jay Lawrence and John Kavanagh will be in the House.

In District 24, which is I believe Thomas Road south, Lela Alston is moving over to the Senate and we have new persons, Dr. Amish Shah and Jennifer Longdon will be in those seats in the House. In District 28, out to our west, Kate Brophy McGee will keep that seat in the Senate and Kelli Butler is keeping her seat but we do have a new person and that is going to be Aaron Lieberman and those are the Scottsdale area representatives.

Briefly, I put this together each year, with input from city leadership, department directors, the City Manager, and of course, the Councilmembers and break it down into two sections, our core principles and our policy statements which includes our key positions. Key positions are my elevator speech when I'm able to grab a legislator and hold them steady for two to three minutes. These are the things I talk to them about. I will go through them briefly.

[Time: 01:55:23]

The first one will be support of the drought contingency plan, otherwise known as the DCP. I'm sure you have seen in the newspaper over the last several weeks a lot of discussions about water, water levels in Lake Mead and how the water levels are dropping quicker than what we thought, two or three years ago. So there's a plan, a multistate plan between Arizona, California, and Nevada. We are hoping to get something put together to help keep that water level in Lake Mead. As with any water issue, it is complicated. It is emotional. It is contentious to say the least. There should be a meeting later in this week and we hope to have some more details on that, but it is essential to future growth and future well-being of cities and agricultural interests alike.

The next issue is short-term rentals. I'm sure you have gotten a lot of input from constituents on this. Good news is John Kavanagh, Senator Kavanagh, soon to be Representative Kavanagh will be sponsoring legislation on that. I had breakfast with Jay Lawrence this morning. He's agreed to

cosponsor that. I suspect they will get a lot of support because this is one of the issues I'm hearing about the most from constituents and other Councilmembers and legislators as well.

Next, we have legislation, support legislation to prohibit discrimination in employment, housing and public accommodations, based on sexual orientation and gender identity. This is an issue that has been around but it's now a key issue for us and I expect we will see legislation on that this year. Next, if you remember from last year, there was legislation on home-based businesses. This is kind of the cousin to the short-term rentals in a way. We expect legislation to come back that might expand the types of uses that, or the types of businesses that persons could have in their homes, and especially in residential areas. So we will be keeping an eye on that and we will pose anything that would significantly expand some of those uses in residential areas. Next, construction sales tax continues to be something to be worked on and debated at the legislature. Much like years before, we would oppose moving to a materials-only type of tax structure, or anything else that would significantly impact how we collect construction sales tax.

Next, I'm moving on to some of the new items. This first one is in our tourism area and that is to support an increase in state funding for favorable tourism and associated job creation environment. In addition, we would like to say that we are supporting small business by reducing unnecessary obstacles. I don't know off the top of my head what that would be, but it's something that we would want to keep a watch on so we can help our small businesses. Oops going the wrong way. Another new one is there are funds, there's a county fund for tourism, Prop. 302, I believe is what it was, but there's no statewide dedicated fund for the major events. And these are the Super Bowls, the NCAA championships, things like that, that help to bring those big statewide impact events to Arizona. We think that that would be beneficial not only to Arizona but to the Scottsdale area as well. So we would support the creation of some sort of dedicated fund. The next is.....

[Time: 01:59:44]

Mayor Lane: Excuse me one second, Brad. On that particular one, I'm talking about as far as dedicated fund better position Arizona to attract and host major events. Concern that we have with this, and I don't know if it's something that we support that type of effort but what ends up becoming on these things, as we all know, we support and other communities do support in a large amount the Super Bowl, the fiesta bowl, all other manner of big events, but specifically, those that are related to large sporting events, not necessarily the PGA, but nevertheless, they extract under a contractual situation for the entire value, significant sums of money.

If the state were to assume this, would we then assume that they would get state and they would be coming back for the cities for the same, by the same amount or more as it's been going as we have done in the past and frankly ever city in the valley has done? My concern is that we are just doubling up on something, as far as attraction is concerned. It works now. I would sooner turn it over to the state, I suppose, but nevertheless, I just don't want to see it double up. I don't know what cautionary statements we might inject into this and whether there's even a way to control that, but that would be one concern on that area.

Brad Lundahl: Yeah, Mayor, I think you raised a very good point, and if there is legislation introduced that's definitely something I would bring back because I'm sure this would bring a lot of debate because there's sidebars that are put on, in the infancy. Next one is to increase the angel investor fund. The angel investor fund has been around for several years. I think it's capped two and a half million dollars each year. And this is for investment in small business and especially tech start-up companies. So not a lot of money this year but maybe something they could do to bring the investment up a little built and that's something we could support. Because Arizona and Scottsdale specifically has seen a lot of interest worldwide in autonomous vehicle and autonomous development, I wanted to make sure that we recognized that that technology is emerging and that Arizona would like to be part of that. So that's what this bullet indicates. So with that, Mayor and Councilmembers, I would be happy to answer any questions or go through anything else in further detail. But for tonight, I'm looking for approval of the 2019 Legislative Agenda.

Mayor Lane: Very good. And thank you, Brad. Yes, it was a good presentation but we'll start with Councilmember Korte.

Councilmember Korte: Thank you, Mayor. I move to accept the 2019 State Legislative Agenda.

Vice Mayor Phillips: Second.

Mayor Lane: The motion has been made to accept the agenda, the legislative agenda and seconded by Vice Mayor Phillips. Seeing no further comments or otherwise, we are then ready to vote. All those in favor, register aye. Nay if you oppose. It's unanimous. Thank you very much, Brad.

Well, that completes our Regular Agenda items. There are no further public comment or petitions.

MAYOR AND COUNCIL ITEM

[Time: 02:03:45]

Mayor Lane: As somewhat consistent with what we just talked about with regard to our legislative agenda, I would like to consider a motion to direct the City Manager and the city attorney to review Scottsdale's current public nuisance ordinances and bring back recommended actions that would update the public nuisance ordinance to better address unruly parties or gatherings and make it easier to hold property owners accountable for repeated unruly gatherings and parties on their properties. And that would go to all applications and property and it frankly is, think, something we need to look at, as far as just coordinating those efforts and making sure that we are able to enforce the ordinances that we exist, as they exist right now. And so if I could, I would ask for a motion. I make that motion. I would ask for a second.

Councilwoman Klapp: I will second.

Mayor Lane: To move to that forward. The motion has been made and seconded by Councilwoman Klapp. Thank you for that. You think we are ready to vote. All those in favor, please indicate by

aye. Opposed with a nay. It's unanimous to move that forward. Understood?

City Manager Jim Thompson: Yes, sir.

Mayor Lane: Very good. Thank you so very much.

ADJOURNMENT

[Time: 02:05:01]

Mayor Lane: With that we completed our business for this evening and I want to thank everybody who participated and Council, and I will accept that motion to adjourn.

Councilmember Korte: So moved.

Councilwoman Klapp: Second.

Mayor Lane: Moved and seconded. All of those in favor of adjournment, aye. We are adjourned. Thank you very much.